

U.S. Embassy - Skopje

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"COMMERCIAL BANK" WINS "BANK OF THE YEAR 2002" AWARD

The "Commercial Bank" from Skopje is a winner of "Bank of the Year" award, given by the British magazine "The Banker" for the second consecutive year. The award was officially presented to the "Commercial Bank" representatives in London. The "Banker" magazine is a professional publication of the "Financial Times" group with more than 32,000 readers. Every year, it awards the best banks in the world with the "Bank of the Year" reward.

ANNOUNCEMENT BY EUROPEAN AGENCY FOR RECONSTRUCTION

The European Agency for Reconstruction (EAR) has signed contracts with two NGOs for the re-building of an additional 200 heavily and completely damaged houses in Aracinovo, and the Cucer Sandevo region following the completion of Phase 1 reconstruction in Tearce, Lipkovo and Aracinovo, EAR said on September 3 in a press release. The Phase 2 extension of the housing reconstruction project will consist of the re-construction of 160 category 3-4 houses in Aracinovo, and of about 45 houses in Brest, and Malina Mala. The implementing partners will be the European Perspective and Solidarities NGOs and the actual works will be carried out by local contractors.

During Phase 1 of housing reconstruction which ended at the beginning of August, the European Union funded at a cost of € 4.1 million the repairs or re-building of 286 houses in Tearce, 357 homes in Lipkovo and 322 homes in Aracinovo. The first phase of the housing reconstruction program is part of the € 26.5 European Union Emergency Assistance Program, which since January 1, 2002, has been managed by EAR. Other key elements of the program include: electricity rehabilitation for some 150,000 people in the Aracinovo, Tetovo and Kumanovo regions, a waterworks improvement project for Kumanovo, demining in the former conflict areas, as well as many other projects.

CONFERENCE ON MACEDONIA'S MEMBERSHIP IN WTO HELD IN SKOPJE

On the occasion of the upcoming membership of the Republic of Macedonia in WTO, conference "Membership in the World Trade Organization (WTO)- an Opportunity for Inclusion in the Global Flows of World Economy" was held in Skopje on September 5.

The final meeting of the working group for Macedonia's accession in WTO will be held on September 17, at which all membership documents should be signed, followed by the verifying of the membership agreement by the WTO Board of Directors on November 11. After the end of this procedure, the Macedonian Parliament should pass a Law on membership of the country in WTO, which would be put into effect a month later, making Macedonia a full fledged member in WTO.

In his address at the conference, Macedonian Prime Minister Ljubco Georgievski expressed satisfaction with Macedonia's membership into WTO, considering the fact "that the admission process has lasted for two hard years." He gave credit to the national negotiating coordinator, Minister of Economy Besnik Fetaj, for his successful work. He also gave credit to WTO, which has 144 members, for offering equal chance to big and small countries.

Ambassador to Macedonia Lawrence Butler said it was great step for the country, which will take advantage of the WTO benefits in the next year. The WTO membership would face Macedonia with foreign and domestic competition, thus improving the goods quality and cutting the prices, Butler said.

"From the beginning, the Macedonian Government has considered the country's membership in WTO as an issue of national priority, " Minister of Economy Fetaj said, adding that the process for Macedonia's admission into WTO was a great obligation and challenge for him as a national coordinator. He explained that Macedonian changed over 30 laws in order to meet the WTO demands for membership.

Minister of Agriculture, Forestry and Water Supply Marjan Gjorcev, who was part of the negotiating team for Macedonia's entrance in WTO, also spoke at the conference. "The accession of Macedonia in WTO is a project of strategic significance of the country, and an inclusion in the multilateral system of world trade, as

well as institutionalization of a modern legal-trade system, stable and compatible by its characteristics with the dominant world regimes", Gjorcev said.

In his address, Minister of Finance Nikola Gruevski said that the path for the accession process in WTO was opened in 1999, which previously began in 1996. On the accordance of Macedonia's legislation with the European one, Gruevski stated, "a lot of significant changes have been made in the area of finance in the last 4 years, i.e. a change in the law on banks, securities and foreign currency funds".

START OF CONSTRUCTION OF OIL DERIVATIVE "OKTA" PIPE LINE TO KOSOVO

On September 6, the Macedonian Prime Minister Ljubco Georgievski formally marked the beginning of construction of the "Okta" pipeline that would distribute oil derivatives from the Skopje Refinery to Kosovo. The new pipeline, that is to distribute 300,000 tons of oil derivatives per year, will be completed in two years. About US\$ 30-40 million will be invested in the oil pipeline to Kosovo, long from 60-100 kilometers.

"This is difficult time for the global economy, " Okta Director Petros Karalis said, adding that the Balkan countries are not considered as secure for investments. "Therefore, criticism of a company, such as "Elped Balkaniki", which has invested US\$ 160 million for three years, is rather strange. Our response to such criticism is further investment in new infrastructure project, worth US\$ 20 million, which will be completed in 2003," Karalis said.

Referring to conditions, under which the "Okta" refinery was sold, Georgievski said that until 1998, the oil business in Macedonia was shared between "Okta" and "Makpetrol". In 1998, "Makpetrol" financial report was at positive zero, while "Okta" presented a loss of US\$ 140 million, Georgievski said. "It is really a mystery how today, after three years, "Okta", Makpetrol" and many new gas stations are making profit, which is probably the answer why the "Okta" privatization, the largest in Macedonia (Hellenic Petroleum paid US\$ 32 million in cash) has many enemies among both Macedonian and Greek businessmen," Georgievski said.

"There is another political attack on this project. It might present an obstacle to constructing of another pipeline - AMBO. I confirm, bearing full responsibility,

that the Macedonian Government has granted all approvals for construction of the AMBO oil pipeline. The problem is that the project has been discussed for 10 years, but no investor has appeared so far to start it," Georgievski said.

FRENCH COMPANY SCMM SIGNS AN AGREEMENT FOR BUYING OF "JUGOHROM"

On September 6, The French company SCMM signed an agreement for buying "Jugohrom". After the signing ceremony, Macedonian Minister of Economy Besnik Fetai said that the new company would re-employ 1,000 former "Jugohrom" workers, meeting the trade union request. The French company would pay Euro 500,000 for "Jugohrom" in the next five years, Fetai said. It is also agreed for SCMM to invest Euro 10 million in the next five years.

PRIME MINISTER GEORGIEVSKI PUTS IN USE THE SYSTEM "SALVATION OF THE LAKE DOJRAN"

On September 8, Macedonian Prime Minister Ljubco Georgievski put in use the hydro-system for salvation of the Lake Dojran. This project is worth US\$ 12.5 million and is realized by the Macedonian government with funds from the sale of the Telecom and from several international funds. The ministries of environment and urban planning and finance, as well as the electricity company Elektrostopanstvo were actively included in this project.

Congratulating the Independence Day, September 8, to the audience, Prime Minister Georgievski underlined the economic, tourist and economic dimension of this project. Although the lake was being emptied for 15 years, he said, in only three years its glory will be returned. He expressed hope that Greece will have understanding for the project, and will protect the lake from the other side of the border as well.

The hydro-system for filling the Lake Dojran is composed of 15 wells in the Gavato Pole locality with average depth of 50 meters, pipeline in length of 20 kilometers and three basins for transfer of the water. According to the experts, the lake will receive approximately 1,000 liters of water per second so its full revitalization is expected in eight years. This system will be also used for overcoming of the water shortage problems in Bogdanci and Dojran. Another dimension of the water system is that it will be also used for production of electricity. In the past five months, this system was built by the

construction companies "Granit," "Pelagonija", "Mavrovo" and "Beton".

MEMORANDUM OF UNDERSTANDING ON PAN-EUROPEAN CORRIDOR 8 SIGNED IN ITALY

The Italian city Bari hosted a signing ceremony of the Memorandum for Understanding for construction of the Corridor 8 on September 9, 2002. Ljupco Balkovski, Macedonian Minister of Transport and Communications, signed the document along with his counterparts from Greece, Albania, Bulgaria, Turkey and Italy. The Ministers agreed that the memorandum would create conditions for providing funds for construction of the 995 kilometer-long corridor. Its section through Macedonia is at 315 kilometers.

"It is a historical chance for Macedonia, as starting from today, the doors for entrance of foreign capital in the country are officially opened," Balkovski said. Balkovski also had a meeting with city Mayor Simeon De Abresias focused on Macedonia's potentials for economic cooperation.

PM GEORGEIVSKI MARKED THE BEGINNING OF SKOPJE RING ROAD CONSTRUCTION

Macedonian Prime Minister Ljubco Georgievski marked the beginning of the construction activities of Skopje ring road, near Hipodrom junction on E-65 highway. "There has not been a project that we talked so much about it and that has been so well developed. Corridor 8 is part of the international community projects and along with Corridor 10 will make Macedonia a transport crossroad on the Balkans, something we only saw on the maps and we were not able to realize it in the infrastructure," Georgievski said in his speech.

The Fund for Highways and Regional Roads is the investor and has provided € 36 million from the European Investment Bank in terms of credits with beneficiary interest rates, grace period of seven years and reimbursement period of 18 years. The ring road should be completed by August 2005.

PRESS RELEASE FROM THE MINISTRY OF FINANCE

Macedonian Minister of Finance Nikola Gruevski signed on September 12 a Memorandum for understanding with the representative of the Pittsburgh University, William Dunn, which officially marks the establishment of the

center for politics of public administration and management and the post-graduate studies for politics of public administration and management. The ceremony was also attended by U.S. ambassador to Macedonia Lawrence Butler and the Macedonian Deputy Prime Minister, Zoran Krstevski.

Butler hailed this project and stressed that it would be realized in cooperation between the two governments, with U.S. donation of US\$ 1.4 million. Professor Dunn pointed out that the center would become operational in January 2003, while the classes would be held by internationally recognized professors from the U.S. and Macedonia. Minister Gruevski said that this project was only a part of the activities of the current government that aims to enable higher quality education and progress for the youth in the country.

SEE BUSINESS MEETING

The Macedonian Business Resource Center, in cooperation with similar organizations from Bulgaria, Montenegro, Serbian province Kosovo and several regional organizations for development, organized a regional business meeting in Skopje on Thursday. The meeting is part of the Trade-Investment Initiative of Southeastern Europe, aimed at integration with Europe and creation of a regional free trade zone. Representatives of about 100 companies from Macedonia, Albania, Bosnia, Bulgaria, Greece, Yugoslavia, Romania, Slovenia, Turkey and Croatia attended the meeting.

"The Macedonian Business Center grants assistance to domestic companies in realization of trade deals and investing projects. So far, the center has assisted in trade deals, worth US\$ 50 million, and investing projects of US\$ 23 million, MBRC Director Blagoja Milosevski said. It also assisted in linking of Macedonian with foreign companies by direct contacts, various registers or Internet. The Center organized 15 meetings in Macedonia, Albania, Bulgaria and the Serbian province Kosovo. Similar meeting would take place in Belgrade next month.

PROMOTION OF WORLD INVESTMENT REPORT

The World Investment Report (WIR) prepared by the United Nations Conference on Trade and Development (UNCTAD), was promoted at the National Bank of the Republic of Macedonia on September 17, 2002. Governor of the Macedonian National Bank Ljube Trpevski assessed that one of the main reasons for increasing foreign investments

was ensuring the stability of the currency. "In the past years we successfully met conditions for attracting foreign investments, by achieving price and currency stability," said Trpevski adding that the situation would remain stable in future.

Addressing at the WIR promotion, President Trajkovski emphasized the necessity of "redirecting country's macroeconomic policy towards export-oriented investments." He stated that the multinational corporations by investing in the country's economy would contribute for improving the quality of the products and access to the world markets. Trajkovski pointed out certain dilemmas and controversies in regard to the important role of the foreign investments, especially privatization process. He said that transparency, profitability and the social background were crucial indicators for foreign investments.

"Macedonia is an example of a country that meets all conditions for investments, but is facing a problem with investors' interest due to the last year crises and the current stability of the region," Trajkovski said, underlying that the country has proved a high level of democracy. He said the elections were positive indicator for the potential foreign investors. Trajkovski called on his colleagues to encourage the companies in their countries to invest in Macedonia, as it would mean investing in the peace and stability of the country.

According to WIR, decreasing of FDI was mostly registered in developed countries, which is 59%, while a modest decrease of 14% was registered in the developing countries. An insignificant raise of 2% was registered in the countries of Central and Eastern Europe, while Africa is on the margins of the FDI.

MACEDONIA BECOMES INFORMAL MEMBER OF WTO

The negotiations for entrance of the Republic of Macedonia in the World Trade Organization ended successfully in Geneva on Tuesday, September 17, 2002. "Today we signed bilateral agreements with the European Union and Malaysia", Minister of Economy and national coordinator for accession of the Republic of Macedonia in WTO Besnik Fetai stated for MIA. As Minister Fetai stated, at today's meeting of the informal working group in Geneva "the Report on harmonization of legislation was adopted without any remarks from the representatives of the WTO member countries, as well as the Report of the

sector for goods and service sector, which includes the financial sector".

As Fetai stated, the one thing that remained was the ratification of the final document in Geneva on October 11 by the WTO General Council, which should be ratified by the Macedonian Parliament no later than March 31, thus making the country a full-fledged 145th WTO member. The Minister of Economy emphasized that all agreements on free trade that were signed with the countries in the region are still valid, with an additional accordance with WTO regulations. Besides the agreements with the EU and Malaysia, Macedonia has already signed agreements with Norway, Switzerland, Japan, Latvia, Canada, Australia, USA and Croatia.

INDUSTRIAL PRODUCTS IN AUGUST 0.1 PERCENT HIGHER THAN IN JULY

The prices of producers of industrial products in August 2002 are by 0.1 percent higher than the previous month. Comparing to the 2001 average, they are lower by 0.7 percent, and compared to August 2001 - by 1.3 percent.

FOREIGN TRADE IN THE FIRST HALF OF 2002

The State Statistics Bureau announced that the foreign trade in the first half of 2002 amounted to US\$ 1.7 billion. The export was 36.4 percent, while the import was 63.6 percent. The balance was negative, reaching US\$ 463 million. EU member countries participated with 51.7 percent and the former Yugoslav countries with 30.1 percent in the exports. Simultaneously, the EU countries participated with 45.7 percent and the countries of Central and Eastern Europe and the former Soviet Union with 19.9 percent in the imports.

GRANT AGREEMENT BETWEEN MACEDONIA AND USA SIGNED

Macedonian Minister of Finance Nikola Gruevski and USAID Director to Macedonia Dick Goldman signed on September 27 the Grant Agreement on strategic goals between USA and Macedonia for enhanced growth and development of private sector. The Agreement will provide funds for the next three years, thus enabling Macedonia to realize its strategic goal for enhanced growth and development of private sector, implementation of market-based economic reforms, liberalization of the investment regime in the country, increasing the employment in the private sector and reducing the poverty.

The grant amounting to US\$ 26,221,276 will be implemented through USAID office to Macedonia. The Agreement encompasses the entire financial and technical assistance that will be provided to Macedonia by USAID. The implementation of the agreement aims to enforce the financial sector through investments in the banking and non-banking financial institutions, increased competitiveness of private companies on domestic and international markets, improved economic and legal environment for increasing the investments in private sector.

The Agreement also foresees the establishment of Credit Agency for short-term advanced financing of the Macedonian companies' export agreements. The agency will cooperate with companies that have signed high quality export agreements, but have no options for obtaining credit, as they do not have mortgage.

The technical assistance in the development and enforcement of fiscal policy includes recommendations and programs on improving the tax administration, establishing sound budget policies and developing contemporary treasure and tax services. The agreement will also support the development of the information capacities of the Finance Ministry and other ministries.

The Agreement will also provide short-term financing for trade facilitation. The loans will be for six to twelve months depending on the type of financing and the specific transaction. The loans will amount between US\$ 10,000 - 100,000. The efficient implementation of this innovative approach will increase the competitiveness and employment in the country.

The deadline for implementation of the Agreement is September 30, 2005 and can be changed only if the two concerned parties agree about that.

MINISTER GRUEVSKI MET WORLD BANK REPRESENTATIVE

Macedonian Minister of Finance Nikola Gruevski had a farewell meeting on September 27, with World Bank representative Marie Helene Bricknell. She expressed satisfaction from the established cooperation, the enormous progress in the reform process especially in resolving the status of the loss-making companies as well as the amendments made to the legislation.

The country met the conditions for obtaining the second installment from FESAL 2 arrangement - Project on

restructuring the financial sector and enterprises as well as for PSMAC arrangement - Project on adjusting the public sector for supporting the reforms in the public administration. An agreement should be signed with the International Monetary Fund in order to withdraw the credit installments for these arrangements amounting to US\$ 35 million, out of which US\$ 20 million are from FESAL 2 arrangement and US\$ 15 from PSMAC arrangement.

MEETINGS OF MACEDONIAN DELEGATION IN WASHINGTON

Macedonian delegation, led by the Governor of the Macedonian National Bank Ljube Trpeski, which is taking part at the Annual Assembly of the International Monetary Fund (IMF) and the World Bank in Washington, met with the director of the European Department of the World Bank Johannes Linn on September 28, 2002. The meeting focused on the determination of the World Bank to be Macedonia's partner in the upcoming 4 years in the process of implementation of the reform activities, which are necessary for urging of the economic growth.

Linn expressed his satisfaction from the preservation of the macroeconomic stability in the Republic of Macedonia, as well as from the progress of reforms in the banking system. The World Bank management expressed its readiness to finish the document for the long-term strategy of this international financial institution for cooperation with the Republic of Macedonia in the upcoming 4 years within the first half of 2003. The strategy will include defining the reform activities that the Government should realize in the upcoming period in cooperation with the World Bank.

Governor Trpeski emphasized that the engagement of the World Bank must be directed towards decrease of unemployment, as one of the current problems that the Republic of Macedonia is facing with.

The Macedonian delegation also had a meeting with the new Dutch Minister of Development Van Ardens, at which Governor Trpeski expressed his gratitude for the unselfish support of the Netherlands to the Republic of Macedonia at an economic and financial plan, emphasizing the necessity for continuation of such cooperation in the future. The Dutch Minister of Development expressed her readiness for increase of the cooperation between both countries, and promised that Macedonia would remain one of the priority states that the Netherlands would assist at an economic and financial plan.

The Macedonian delegation also attended the meeting of the Dutch Constituency, which member is Macedonia. The meeting included the adoption of reports that the Governor of the Central Bank and Dutch Minister of Finance will submit at the meetings of the IMF Monetary and Financial Committee and the Committee on Development of the World Bank. The meeting also included presentation of the new executive directors of the Dutch Constituency in the IMF and the World Bank Kremers and Melkert. The proposal of Governor Trpeski for the Republic of Macedonia to host the following annual meeting of the Constituency in March 2003 was also accepted at the meeting.

MINISTER GRUEVSKI MEETS IMF AND EBRD REPRESENTATIVES

Macedonian Finance Minister Nikola Gruevski had farewell meetings on September 30 with the representative of the International Monetary Fund (IMF) Ian Mickelsen and the European Bank of Reconstruction and Development (EBRD), Zsuzsana Haragitai. The international representatives expressed satisfaction regarding the good cooperation with the Macedonian Government, saying that many projects have been realized in the last four years, the Finance Ministry said in a press release.

"I expect shortly after the establishment of the new Government, the IMF mission to come to Macedonia and to start the negotiations," IMF Representative to Macedonia Ian Mickelsen said after a meeting with Finance Minister Nikola Gruevski. "As we promised at the end of May, when IMF mission to Macedonia ended, we will be back when the new Government will be ready to start the negotiations," Mickelsen said.

According to him, "IMF thinks that this is not a good time for hiring new persons in the public sector." "I support Minister Gruevski, who tries to avoid the new employment in the public sector in the next few weeks. That is an obligation of the new Government, which should decide on the outlook of the public sector," Mickelsen said.

EBRD representative Haragitai said that the Finance Ministry priority project - the Bank of Micro Financing would be realized soon. She also said that EBRD is interested to invest in some Macedonian banks and companies in the following months.