

U.S. Embassy - Skopje

ECON NEWSLETTER 1/2002

MACEDONIA RECEIVES SECOND TRANCHE FROM EUROPEAN COMMISSION'S GRANT

On the special account of the Ministry of Finance (MOF) opened in the Macedonian National Bank € 10 million were deposited on January 10, 2002, which is the second installment of the grant on macro financial assistance that the European Commission has approved to the Macedonian Government in December, 2000.

According to the MOF, the total amount of the macro financial assistance of € 80 million includes a loan of € 50 million given under favorable conditions and grant of € 30 million. At the beginning of 2001, Macedonia withdrew the first installment amounting to € 30 million, out of which € 20 million were grant while € 10 million were loan. The Minister of Finance Nikola Gruevski and the Governor of the National Bank Ljube Trpeski are expected to sign the second agreement on receiving the second installment of the loan amounting to € 12 million next week.

The European Commission made a decision on allocating the additional grants in amount at € 18 million as a macro financial assistance to Macedonia that can be used by 2003.

OFFICIAL START OF TOBACCO BUYOUT

The tobacco buyout throughout the country officially started on January 15, 2002. According to deputy Minister of Agriculture, Forestry and Water Supply Jovan Damcevski the tobacco enterprises in Macedonia are completely ready for the beginning of the tobacco buyout season, when 22,000 tons of tobacco are to be bought out from the private tobacco producers. Over two billion denars will be provided for the tobacco buyout and the entire buyout process is expected to finish by March 31, 2002.

The buyout in Prilep area started at eight posts and according to Blagoja Joveski, the head of the Sector of Cooperation within Prilep tobacco enterprise "Tutunski

kombinat" 90 tons of tobacco will be bought out. "Strumica tabak" from Strumica will buy out 20,5 - 30 tons of tobacco from "jaka" and "prilep" sorts. Due to the higher tobacco quality, the tobacco producers expect higher prices per kilogram than last year's price. "Jaka tabak" from Radovis will buy out 100 tons of tobacco daily, while 4,400 cooperators of the enterprise are expected to buy out another 2,500 tons. Tobacco enterprise "Boro Petrusevski" from Kumanovo will buy out only 10 tons of tobacco due to the worsened situation in tobacco producing because of the military activities in Kumanovo - Lipkovo region.

CHANGES TO THE LAW ON DEPOSIT INSURANCE FUND

The Macedonian Government reviewed and accepted the Draft Law on changes and supplements to the Law on Deposits' Insurance Fund. The adoption of this Law comes as a result of the new Law on banks, the implementation of the international standards for supervision of the banks and the strengthening of the capital base in the banks, which enhanced the stability and the safety of the banking system in Macedonia. This Law will also bring Macedonia closer to the EU legislation standards.

In order to enhance the trust of the citizens in the financial institutions and to increase the saving as preconditions of the overall economic development, the deposits of citizens amounting from € 3,000 - € 10,000 will be guaranteed up to 90 percent, while the deposits up to € 3,000 will be guaranteed 100 percent.

CORRIDOR 8 - US\$ 450 MILLION NEEDED FOR COMPLEMETING THE PROJECT

Four construction companies from Macedonia that were engaged to work on the railroad to Bulgaria claim that the delay in finishing the construction of the part of the Corridor 8 is because of lack of funds determined in the Budget for this project. On the meeting they had with the Minister of Transport and Communication, the Director of the Macedonian Railroads and the representatives of the Ministry of Finance, it was announced that complete cost analysis is done on the part of the constructed railroad. This was inevitable, since the companies claimed that they've been underpaid for the work completed so far, and that they have sponsored the construction of the part of the Corridor 8.

The dispute started with the statement of the Director General of the Macedonian Railroad that these companies

have already received US\$ 120 million for the work on the part of the railroad, but they've managed to complete only 30 percent of the work so far. Full construction of Corridor 8 is estimated to cost US\$ 450 million. According to the Director General of the Macedonian Railroads, the only chance for finishing the Corridor will be giving it under concession, since Macedonia has no chances to dedicate US\$ 450 million out of its funds for finalizing the Corridor.

SYNDICATE AND GOVERNMENT SIGN AGREEMENT FOR REALIZATION OF EMPLOYEES' DEMANDS

The Labor Union of Macedonia and the Government signed an agreement for realization of the demands of the employees in the public sector, regarding their right on regress for annual vacation, right to regular salary, and determining the lowest salary in the public administration.

Reimbursement of the regress for annual vacation will be realized in two parts: in cash and in food packages. Payment of the money part has already started, and food packages will be distributed within one week. Minister of Labor and Social Policy Bedredin Ibraimi expressed hope that the employees would be satisfied from the quality of the food products included in the packages.

MACEDONIA'S FOREIGN TRADE EXCHANGE REACHED US\$ 2.6 BILLION IN 2001

According to data of the National Bureau of Statistics, the foreign trade exchange of Macedonia in 2001 has reached US\$ 2.8 billion, in which the exports participates with 40.6% and the imports with 59.4%, so the negative balance is US\$ 532 million. Compared to the same period in 2000, the export fell by 12.4% and the imports by 19.0%. The import/export coverage was 68.4%.

Most of the goods were exported in the European Union - 48.7% and the former Yugoslav countries - 31.4%. Most of the goods that Macedonia imported were from the EU - 42.4%, and the countries of Central and Eastern Europe and former USSR - 23.3%.

SALES AGREEMENT FOR PORCELANKA SIGNED

Macedonian Minister of Economy Besnik Fetaj signed a sales agreement worth DM 300,000 with the Austrian Company Exclusiva from Vienna, for the ceramics factory

in Veles, Porcelanka. After the official signing, Minister Fetai announced that the total debt of this factory to the Government amounts to DM 3.7 million, which is to be returned within the next seven months. "The new owner will pay DM 400.000,00 each month, covering the taxes and duties towards the Government," said Fetai.

Fetai pointed out that all 670 employees in the factory will remain at their working positions, some investments for normal functioning of the factory will be made and even more, some new employment opportunities are planned. The President of Porcelanka's Workers' Union, Zvonko Samardziev, pointed out to the fact that in case the factory was closed, the Government was to pay out the employees, which would have amounted up to total DM 7.2 million.

FOREIGN VEHICLES IMPORTED IN MACEDONIA BY DECEMBER 31 CAN BE LEGALIZED

The owners of cars with foreign license plates older than 10 years and imported in the country by December 31, 2001 can legalize them in the period of 30 days after the publishing of the changes and supplements to the Law on foreign trading in the Macedonia's Official Gazette.

In order to legalize these vehicles, whose number is more than 15,000, the owners should pay the taxes to the state amounted to 47 percent of the vehicle's value, which will be determined through a catalogue. Those who will not register their vehicles in the country should take them out of the country for at least 20 days in every three months according to the Regulation book for temporary stay.

FREE TRADE AGREEMENT BETWEEN MACEDONIA AND ALBANIA INITIALED

The Free Trade Agreement between Macedonia and Albania was initialed by State Secretary in the Economy Ministry Violeta Madzova and Albania's Deputy Minister of Economic Cooperation and Trade Engjeli Skreli. "By initiating the Free Trade Agreement the Macedonian and Albanian governments confirm their desire to enhance the trade cooperation and their efforts to liberalize the trade in the region," Macedonian Minister of Economy Besnik Fetai said. He explained that this was asymmetrical agreement because of the different level of development of Macedonia and Albania.

Minister Fetai announced that according to the agreement, six-year transition period of liberalization was determined. Afterwards, almost 90 percent of the trade with Albania will be liberalized. He explained that this period would be applied to the import and export of industrial products. Regarding the exchange of the agricultural and food products, great deal of the food products will be exported to Albania without any taxes. Macedonia mostly trades agricultural and food products with Albania and the volume of the trade exchange is around US\$ 9 million. The export from Macedonia amounted to US\$ 7 million, and the import from Albania is more than US\$ 1 million.

The Free Trade Agreement is signed in compliance with the Memorandum on understanding, facilitating and liberating the trade among the countries of Southeastern Europe, which was signed in June 2001, in Brussels within the Stability Pact. The signers of the Memorandum have obliged to sign Free Trade Agreements by the end of 2004. The agreement is developed in compliance with the principles and the regulations of the World Trade Organization, the regulations of the European Union. The negotiations on the Agreement began in May 2000, and the agreement will be enforced after ratification by the Macedonian Parliament.

EUROPEAN AGENCY FOR RECONSTRUCTION TO MANAGE THE MAIN EU ASSISTANCE PROGRAMS IN MACEDONIA

As of January 2002, the European Agency for Reconstruction has been given the task of managing the €26 million EU Emergency Assistance Program for Macedonia. The plan was launched in September 2001. On December 10 2001, the European Council extended the Agency's official mandate to cover the Republic of Macedonia, and on December 28 2001 the European Commission conferred on the Agency the managing responsibility for the Emergency Assistance Program as from January 1, 2001.

The Emergency assistance package has two main aims: reconstruction of the conflict-affected areas and support to confidence-building measures to bolster the implementation of the Ohrid peace agreement. The package includes reconstruction of 750-800 houses by spring 2002. This project is worth €4.5 million. So far, as the Agency reported, 60% of the project has been realized. The Agency signed contracts for rebuilding the houses with the Italian NGO Movimondo for the Tearce municipality, the UK NGO Children's Aid Direct for the

region northwest of Kumanovo, and Greek NGO European Perspectives for the village of Aracinovo.

Agreements have been also made with the Italian NGO Intersos for mine clearance activities, as well as with the German PROMPT for control-monitoring over the building materials and the building activities. The program also includes rehabilitation of electricity supply networks, worth €10.5 million to be realized by Macedonian Electricity Company ESM and Italian ENEL as a supervisor. The program also includes cash support for host families (€3.25 million) and advice and training for the police force (€1.7 million).

SEMINAR ON "IMPROVING OF MACEDONIA'S COMPETITIVENESS"

The US Organization "SEE Austin Associates" prepared a report over the competitiveness of Macedonia presented at a seminar titled "Improving Competitiveness in Macedonia." The report quotes that Macedonia has successfully established a relatively stable economic framework in the last few years, regarding the conducting restrictive monetary policy, strict budget discipline, stable foreign exchange rate and control over funds in the public sector. The Organization considers these achievements as a solid foundation for the country to face the challenge of entering the international trade exchange, in conditions of the world globalization and severe competitiveness.

The study compares the competitiveness of Macedonia in regard to CEE countries aspirant for EU membership, stating that Macedonia strictly depends on trading sector, which suffered severe damage in terms of economy, resulted from the war conflicts in the region. According to the economic indicators, Macedonia shows healing signs despite of the unfavorable circumstances. The results, according to this organization, will depend upon the national policy and the institutional reforms, as well as upon the willingness for collaboration between the public and the private sector.

This report conveys advice regarding the urgency of joining the enterprises into a council of Macedonian competitiveness, in order to bring the dialogue between the two sectors at the institutional level. One of the main priorities of this council will be the preparation of a joint strategy that includes the Macedonian Government as well, in order to present the Macedonian companies on the world markets.

AVERAGE SALARY IN NOVEMBER - 11,019 DENARS

According to the State Statistics Bureau, average net salary in November 2001 was 11,019 denars, which is nominal growth of 4,2%, i.e. 3,5% real growth compared to October 2001.

Compared to October 2000, the average salary has nominally increased for 7,8%, i.e. it had realistic growth of 3,8%.