

U.S. Embassy - Skopje
ECON NEWSLETTER 3/2003

GOVERNMENT ADOPTED CHANGING OF VAT LAW

The GOM adopted the changes and supplements to the Law on Value Added Tax (VAT). GOM's spokesman Saso Colakovski said that the proposed reduction of VAT general rate from 19 to 18 percent would reduce the tax revenues for Denar 1 billion. According to him, the lower rate of 5 percent will be applied only to food products, drinking water, publications and apartments which construction is ongoing and should be completed by December 31, 2003.

FRENCH SENATE RATIFIES STABILISATION AND ASSOCIATION AGREEMENT OF MACEDONIA WITH EU

French Senate ratified the Stabilization and Association Agreement between Macedonia and the European Union, Macedonian Information Agency's correspondent reported from Paris. After French National Assembly gave green light on January 16, 2003 the French Senators positively assessed the report of Andre Boyer, who on behalf of foreign affairs defense committee, suggested the ratification of the agreement. On behalf of the French Government Minister of European Issues Noel Lenuar supported the agreement.

The agreement, which was signed on April 9, 2001 in Luxembourg, should be ratified by all 15 EU member states in order to enter into force. This agreement opens perspectives for potential membership in the EU although it is not formally written in the goals of the association, reads the adopted article of the French Senate.

BESNIK FETAI DETAINED IN CROATIA

Former Minister of Economy Besnik Fetai, for whom the Macedonian authorities issued an international warrant, was located by the Croatian authorities in a vehicle at the border crossing with Bosnia and Herzegovina. As Mirjana Konteska, spokeswoman of the Interior Ministry told MIA, currently the Croatian authorities are preparing the extradition documents for Fetai. Fetai is suspected for misuse of his authorities as minister.

TRADE UNIONS ADOPTED RESOLUTION AGAINST DISCRIMINATION ON THE LABOR MARKET

The trade unions from the Southeast Europe stand firmly against all forms of discrimination on the labor market and in the society, states the Resolution adopted at the end of the two-day conference titled as: "How to end the discrimination on the labor market." The participants at the conference unanimously concluded that most vulnerable groups at the labor market are the ethnic minorities, immigrants, women as well as the young and elderly persons.

According to the Action Plan, the trade unions from Southeast Europe are obliged to promote policy of equality regarding the job positions, to work on development of the workers' awareness for all forms of discrimination, and to cooperate with the governmental institutions in the combat against the discrimination. The participants at the conference concluded that the Resolution represents basis for their future activities aimed against all sorts of discrimination.

AVERAGE NET SALARY IN DECEMBER - MKD 11.550 DEN

According to the State Statistics Bureau, the average net salary in December 2002 was Denar 11,550, which is a nominal decline of 1.3 percent, and real drop of 1.2 percent on monthly basis. The nominal salary in December 2002 compared to December 2001 increased by 9 percent, and in real terms by 7.8 percent. 30 percent of the workers did not receive salary in December 2002.

MACEDONIA RECEIVED US\$ 12 MILLION FROM THE USA PLEDGED AT THE DONOR'S CONFERENCE

The Minister of Finance Petar Gosev and US Ambassador to Macedonia Lawrence Butler signed a Memorandum on Cooperation, thus enabling the release of US\$ 12 million, pledged by the USA at last year's donor's conference. According to Butler, other US\$ 4-5 million of assistance should be released in the next two months. He emphasized that the USA "has 12 million reasons to support Macedonia and this is the final step towards the realization of the agreement signed with the International Monetary Fund."

The funds provided are intended for support of the balance of payments and will be used for paying off external loans. The funds are part of the total amount

of US\$ 16.5 million pledged by the United States at the donor's conference held last March in Brussels.

GRADUATE CENTER FOR PUBLIC POLICY AND MANAGEMENT OFFICIALLY PROMOTED

The Graduate Center for Public Policy and Management of the University of Pittsburgh was officially promoted on March 6, in Skopje. The students at this Center will have an opportunity to obtain internationally recognized diploma in public policy and management awarded by the University of Pittsburgh. The project worth US\$ 3.2 million is supported by the Macedonian and US governments as well as the University of Pittsburgh.

The Center offers two major programs. Master of Public Policy and Management is designed for mid-career professionals interested in building on their knowledge, skills and experience in this area. The program lasts four semesters and 35 applicants will be accepted. The other program for Graduate Certificate in Public Policy and Management is for beginning professionals, who have little or no practical experience. The application deadline was March 21 and the classes will begin in September. The tuition fee is US\$ 6,000 for a semester, but scholarships and funding will be available for qualified applicants.

The classes will be held by ten eminent professors from the University of Pittsburgh, and there will be also assistant professors from Macedonian universities for each subject. Director of the Center and one of the initiators of this project Professor William Dunn told the press conference that the Center was an independent institution established in compliance with the Law on Higher Education in Macedonia.

PARLIAMENT ADOPTS LAW ON STIMULATING EMPLOYMENT

The Macedonian Parliament adopted the Law on stimulating the employment, which provides two-year compensation of pension, health and unemployment insurance by the GOM to those employers that will hire unemployed persons listed in the Employment Bureau. The employer will receive three times of the amount of average social aid, if it hires a person on welfare. Also, the employer will receive extra stimulation of 25 percent of the average salary for three months, if it hires a person listed in the Employment Bureau that receives social aid," Minister of Labor and Social Policy Jovan Manasievski announced. However, the employer will get the benefits only if it

retains new employees twice as long period as the benefit period.

The Government will provide Euro 33 million in the next three years for implementation of this law. The monthly fringe benefits will be fixed at Denar 4,206 for a net salary of Denar 8,000, in order to prevent any misuse of the law. The expected effect from the law is 20,000 new jobs.

"BANK AUSTRIA CREDITANSTALT" OPENS ITS OFFICE IN MACEDONIA

The largest Austrian banking group and leading international bank in Central and Eastern Europe "Bank Austria Creditanstalt" has opened its office in Macedonia, as part of its strategy for development in Southeastern Europe. Director for Business Development Anton Knet told the press conference that in the next couple of months the bank would evaluate the potentials of the Macedonian market for opening a branch in the country. If the assessments are positive, the new branch will be opened in a year. In the past two years, the Bank has expanded its network in Croatia, Bulgaria, Serbia and Montenegro and Bosnia and Herzegovina.

CRVENKOVSKI: FOREIGN INVESTMENTS IN MACEDONIA ARE FAR BELOW POSSIBILITIES

"Macedonia is in a very complex economic stage where the foreign investments amount only one billion US dollars, which is far below our desires and capabilities," Prime Minister Branko Crvenkovski said in his address at the Second Business Roundtable with the GOM. He said that the foreign trade remains one of the commitments of the country, together with lowering down the productivity gap and eliminating the corruption in the state administration.

He believes that period of conflicts and tensions in the region are over. He added that there isn't any Government that urges for changes of the borders and that the international community learned it is better to act preventively, than to repair the consequences from the war. Referring to the Framework Agreement, Crvenkovski assessed it as a "protection from all forms of radicalism."

He expects that the businessmen are to be the first to overcome the ethnic barriers. Referring to the reforms in the economic and in the political system, enhancement

of the democracy and rule of the market economy, Crvenkovski said that the main pillar of the economic growth was the private sector, which in Macedonia participates with over 75 percent in the GDP. He pointed out that the period of corruption in the public tenders was over, adding that from now on the businessmen would have to respect the laws.

The GOM has prepared a strategy for radical economic reforms, but the question is whether the businessmen are ready. These reforms does not mean that the improvement will be evident tomorrow, but foresee a period of difficulties, savings, restrictions and changing of rules, in order to have positive effects on the long run, Crvenkovski said.

Emphasizing that the democracy was burdened with many elections, Crvenkovski said that the government would not allow any election process to have an effect on the reform course. He has rejected the claims that the GOM does not communicate with businessmen. To the questions about the privatization process, Crvenkovski said that according to the GOM's program the privatization should be completed by the end of this year. The status of 25 loss-making companies should be also solved in this period. He also said that the reform in the massive, expensive and inefficient public administration would be one of the most painful processes.

THERE IS NO ECONOMIC DEVELOPMENT WITHOUT FOREIGN INVESTMENTS

There can hardly be any economic development without influx of direct foreign investments, Nenad Pacek, director of the European corporation network and business conferences for Central and East Europe, Middle East and Africa said at a press-conference organized after the end of the Second roundtable with the GOM. According to Pacek, the process of EU integration must be hastened. "The Union will demand from the Government to alter the laws and to make them compatible with the EU laws. These changes also include reforms in the judiciary system," he said.

The First General Manager of Stopanska Banka Gligor Bisev said that in 2001 and partly in 2002 "the Macedonian citizens voted for peace by keeping their deposits in the banks." The new macroeconomic policy is focused on comprehensive economic reforms supported by the international community and particularly by the International Monetary Fund and the World Bank, which is

a good indicator for the investors. This year will be a year of a more relaxed approach in the monetary policy, providing for lower interest rates. The reforms in the banking sector are completed and now the competition among the banks should be encouraged in order to provide better services to the clients, Bisev said.

TRADE UNIONS OFFER ALTERNATIVE TO LAW ON LOSS-MAKING COMPANIES

Instead of adopting a law on loss-making companies the Macedonian Trade Unions Federation (SSM) suggests a severance pay amounting to 24 salaries to be paid to the workers in loss-making companies. SSM has presented this proposal at GOM's session attended by the Minister of Finance Petar Gosev.

Gosev reiterated the GOM's position that the law on loss-making companies could not be adopted because it is not in compliance with the constitution and the arrangement signed with the International Monetary Fund. As an alternative the GOM offers the law on stimulating the employment, according to which the workers of the loss-making companies can apply to get new jobs," Gosev said. However, the trade unions think that the GOM's alternative is not appropriate, as the workers in the loss-making companies will not be privileged when applying for a new job.

HYDROPOWER PLANT "KOZJAK" TO START ITS PRODUCTION NEXT YEAR

Hydro-mechanic equipment worth US\$ 2-3 million arrived at the construction site of Hydropower plant "Kozjak." Branch Director Panzo Andonov said that the equipment would be installed by May and the accumulation will be filled with water afterwards. The production of electricity is expected to start around this period next year. The plant will produce 160 million kWh per year, but will also provide technical water, as well as irrigation and drinking water for Skopje and will protect the capital from flooding. So far, US\$ 130 million have been invested in the facility, whose construction is financed by the Chinese bank.

FOREIGN TRADE IN JANUARY 2003 - APPROXIMATELY US\$ 236 MILLION

The Macedonian foreign trade in January 2003 amounted to US\$ 236.4 million. The exports participates with 33.5 percent and the imports with 66.5 percent. According to

the data from the State statistics bureau, the coverage of the import with the export is 50.3 percent, and the trade deficit amounts to US\$ 78.1 million. The largest participation in both the import and the export had the EU member countries and the countries from the former Yugoslavia.

MACEDONIAN TELECOMMUNICATIONS AND MTS SERVICES SIGN INTERCONNECTION AGREEMENT

The telecommunication companies "Macedonian telecommunications" and the "MTS Services" signed the Agreement for interconnection, which opens the path for the second mobile operator in Macedonia to become operational. The joint press release from the two companies says that the agreement covers all aspects of the cooperation and that it will enable exchange of calls between the fixed network and the new mobile network of the MTS. The physical connection will be carried out in the next two weeks.

MICRO-FINANCING BANK TO BECOME OPERATIONAL IN JUNE

The Bank for micro-financing, which will extend credits to small and medium sized enterprises is to become operational in June 2003, Peter Schmith, director of the European Bank for Reconstruction and Development office in Macedonia, said at the meeting with the Minister of Finance Petar Gosev. 'As largest stockholder, we are ready to start working," he said, adding that the procedure for issuance a license to the bank was already started. Minister Gosev said that he expected the new bank to act as competition to the banking system in Macedonia, thus to lower down the interest rates.

NET CLAIMS OF FORMER SFRY COUNTRIES FROM FORMER USSR - 1.29 BILLION CLEARING DOLLARS

The net claims of the successors states of the former SFRY from the former USSR amount to 1.29 billion clearing dollars, representatives of the five successors countries and the representatives of the Russian federation concluded at a meeting held in Belgrade. As decided at the meeting, Macedonia will get 7.5 percent of this amount, which is about 96.7 million clearing dollars. Officials from the Ministry of Foreign Affairs said that the Russian party was interested to reimburse its debt to Macedonia as soon as possible, probably by the end of this year. "The Russian party is interested to cover its debt in raw materials, but there is also a possibility

for payment in hard currency," an official from the Foreign Ministry said.