

PERSPECTIVES FOR INTEGRATION
IN THE EURO - ATLANTIC STRUCTURES

THE PROBLEMS OF THE MACEDONIAN ECONOMY

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H.E. Romano Prodi, the Prime-Minister of Italy, then president of the European Commission, made the following statement referring to Macedonia at the Thessaloniki Summit in June 2002: "Focus on real reforms in the system, affirmation of democracy, market economy, regional cooperation and eradicating the crime, and the results will come on their own. Go ahead and work hard and you will be welcomed in the EU."

What is the message that can be recognized from this statement? The answer is pretty obvious: the problems can be solved only if the future Macedonian government has a clear vision and a strong political will. As soon as we begin solving the problems, at the same moment we will start increasing the possibilities for accomplishing our long-desired goal, which is hasten and full integration in the Euro - Atlantic structures.

Recently, the World Bank has issued a report regarding the economic trends of the Macedonian economy for the following period. The results of this analysis are devastating for our country. With this article I would like to explain my opinion about what influenced this situation, in fact why the transition period lasts a decade and a half and the end is not to be seen.

There are some characteristics that describe the Macedonian society in the long-lasting transition period: high rates of unemployment, heavy external borrowing, excessive low level of foreign direct investment in comparison to the countries from the region (creating a difficult business climate along with the low level of domestic investments); low turnovers and heavy collection or debt, but at the same time high profits for individuals; heavy financial indebtedness of the manufacturing enterprises. All of these led to continuous fall in industrial production, continuously increasing levels of trade imports compared to exports, low rates of labor productivity, negative growth in the purchasing power of the population, conventional exchange rate and controlled low inflation.

The process of transformation and privatization of the socially owned capital, as well as the other changes in the social and economic life in Macedonia, have brought and imposed new aspects of the economic, social and political relations in the country.

During the pre-election period, when the Macedonian political parties presented their economic programme to the citizens, I didn't stop wondering why we need so much time to resolve the two biggest problems that our country faces as a candidate country for full integration in the Euro-Atlantic structures: high rate of unemployment and high poverty rate, which synthetically mark the current state of the Macedonian economy.

During the past period, the unemployment reached a level of almost 40%, and the level of socially endangered population reached a level of 21.7% (data from the analysis of the World Bank mission in Skopje)! In Macedonia today there is a social gap, the middle class is almost gone, there are almost 400,000 unemployed and a large number of the ones that have employment receive their salary irregularly which is too low to cover their basic costs of living. On the other hand, this situation created a class of millioners (so called oligarchy), who are less than 5% of the population structure, but possess 70% of the Macedonian overall equity capital!

It might sound silly to conclude that the reason for the above mentioned problems is the lack of high quality experts in economics who would participate in the creation of the economic policies in the country. Although this might be partly true, the actual conclusion is that in the past transition period, there was **no** economic and political will, as well as vision among the Macedonian political parties for resolving the economic problems in our country.

The primary goal of the Macedonian economic policy for the following period, which has to be accomplished by the future Macedonian government, is to accelerate the economic growth, and at the same time to reduce the trade balance deficit. The only way to accomplish this goal is a continuous acceleration of exports, with average rates no lower than 10% annually. This would increase the share of exports of goods and services in the GDP. Today in Macedonia it is around 40%, while in the progressive economies of Central and Eastern Europe, it is between 60-80%. Such growth in exports should also initiate change in the unfavorable export structure, which is today mostly consisted of products with low value added.

In order to achieve these ambitious goals, all economic policy measures should be directed towards encouraging the exports of the Macedonian products, as well as creating such a business environment which will contribute to attracting foreign direct investment which on the other hand are a condition for acceleration of the economic growth of a country.

Our future negotiations for full membership in the Euro-Atlantic structures will not generate a positive result, unless we strongly start to resolve the economic problems, to create a stable market economy, healthy competition, reduced tax evasion, reduced tax and regulatory burden, improved rule of law, harmonization of the legislation, democratic and stable institutions, development support programs, strong partnership between the government and the private sector, as well as, developing the regional cooperation. This should be fundamental for the political engagements of the future Macedonian government in order to win full membership in NATO and EU.