

PERSPECTIVES OF SMALL ECONOMIES

Study Case: Republic of Macedonia

The Historical Context

- ▣ The fall of the Iron Curtain
- ▣ New Geopolitics
- ▣ The emergence of new states which are characterized by small national economies
- ▣ Hostile attitudes (some exceptions) and lack of confidence between the new entities
- ▣ Weak democratic institutions ,social problems
- ▣ Interdependent economical systems

Start-up

- ▣ The way to start-up economies is done first by building national capacities, to be followed by:
- ▣ Bilateral agreements
- ▣ Regional agreements
- ▣ Multilateral agreements

Some facts

- ▣ Area(km²) : 25 713
- ▣ Total population, 2007: 2 041 941
- ▣ Population density(per km²), 2007: 79
- ▣ GDP : 18 075 million USD
- ▣ GDP per capita: 2 980 USD
- ▣ Unemployment rate: 35
- ▣ Unemployment rate (15-24 yrs): 56.3
- ▣ Infant mortality rate: 9.7
- ▣ Life expectancy: women 76; men 72
- ▣ Landlocked country

Important dates

- ▣ 1994- 1990 : Part of Yugoslavia
- ▣ 1991: Gained its Independence
- ▣ 1993: member of the UN
- ▣ 2000: member of EFTA
- ▣ 2001: Stability Pact for SEE
- ▣ 2001: SAA-EU membership
- ▣ 2003: member of WTO
- ▣ 2005: candidate for EU membership
- ▣ 2006: member of CEFTA
- ▣ 2006: member of CEFTA 2006

EFTA- European Free Trade Agreement

- ❑ EFTA was established in 3 May 1960 as a trade bloc alternative for the European Economic Community.
- ❑ Founded by Austria, Denmark, Norway, Sweden, Switzerland, Portugal and UK.
- ❑ Changeable membership due to the expansion of the EU.
- ❑ Members now: Norway, Switzerland, Liechtenstein and Iceland
- ❑ Agreements with countries within and outside the EU.

Macedonia and EFTA

- ▣ Macedonia joined EFTA in 2000. This enables asymmetric access to industrial and agricultural products to the benefit of the RM (free exchange of products without customs within the member states- 12 million people)
- ▣ Imports from EFTA to Macedonia have a gradual liberalization of imports of industrial and agricultural products.
- ▣ Trade exchange between RM and EFTA is gradually increasing for the benefit of the EFTA countries.

CEFTA - Central European Free Trade Agreement

- ❑ Established in 1992 in Krakow, Poland
- ❑ Poland, Hungary, Czech Republic and Slovakia.
- ❑ 1996 Slovenia; 1997 Romania; 1998 Bulgaria; 2002 Croatia; 2006 Macedonia
- ❑ Main goal of CEFTA was to encourage regional cooperation among the countries of central Europe for the fulfilment of their economic, political and judicial criteria in order to enable membership to the EU.
- ❑ The Incubator for EU membership.

Conditions for CEFTA membership

- ▣ 1. Concluded agreement for stabilization and association agreement with the EU.
- ▣ 2. Member of WTO.
- ▣ 3. Signed agreement between existing members of CEFTA.
- ▣ All of these conditions were met in 2003 when Macedonia joined the WTO.
- ▣ Macedonia member from 24 August, 2006; 1 January 2007 (Romania and Bulgaria enter EU)
- ▣ Only Croatia and Macedonia remain.

CEFTA 2006

- ▣ The expansion of the EU
- ▣ The context of South Eastern Europe, Stability Pact SEE
- ▣ Members: Romania, Bulgaria, Croatia, Macedonia, Serbia, Albania, Montenegro, Kosovo and Moldova
- ▣ Modalities for flexible cooperative solutions
- ▣ SEEFTA (Southeast European Free Trade Agr.)
- ▣ Memorandum of understanding: Stability Pact SEE 2001
- ▣ CEFTA 19 Dec, 2006.

CEFTA Objectives

- ▣ Consolidation of existing bilateral agreements.
- ▣ Elimination-facilitation of trade barriers for products and services .
- ▣ Encourage trade investments based on transparent and predictable rules.
- ▣ Creation of equal conditions for business activities.
- ▣ Strengthening and protection of intellectual property rights in line with international standards.

Main goals

- ▣ To create an environment which enables economical consolidation of the member states.
- ▣ To verify the will and the determination of the new states to integrate based on new principles as a precondition for their EU integration.
- ▣ To strengthen the administrative capacities of member states in order for them to benefit from the liberalization and integration.
- ▣ To demonstrate that they are committed to work for the future, leaving the past behind

WTO- World Trade Organisation

- ▣ 1944: Bretton-Woods
- ▣ 1948: GATT Gen. Agreem. on Tariffs and Trade
- ▣ 1986-1994: Uruguay Round
- ▣ 1995: WTO with 153 members at present
- ▣ 2001: Doha Development Agenda

Benefits of membership

- ▣ Creates a predictable environment for trade in global markets. It facilitates exports.
- ▣ Integration of the national economy into a global economy.
- ▣ Guarantees foreign investments, an increase of foreign investments (transfer of technology, know-how etc.)
- ▣ Economic growth.
- ▣ Social well-being.

Obligations

- ▣ Elimination of all non-transparent measures related to trade.
- ▣ Elimination of non-tariff discriminatory barriers.
- ▣ Gradual reduction of tariffs for imports of agricultural and industrial products.
- ▣ All this is, indeed, a real challenge for the traditional domestic economies.

How to succeed?

- ▣ Legal adjustments of the trade system based on WTO rules and standards.
- ▣ Usage of the advantages offered due to membership at the WTO.
- ▣ Institution building (competent state administrations).
- ▣ Appropriate coordination of state administration- WTO and EU structures
- ▣ Information and coordination with the business sector (public and private).

Effects of the membership on Macedonia

- ▣ Small, open and competitive economy.
- ▣ Higher level of 'doing business'
- ▣ Improvement of credit range.
- ▣ Decrease in corruption.
- ▣ Increase of foreign investments.
- ▣ Increase in economic growth- GDP
- ▣ Socio-political stability
- ▣ Fulfillment of EU membership conditions.