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3. Trade, industrial and investment policy

One of the five strategic priorities of the Government of the Republic of Macedonia in its current mandate period is raising the economic growth, enhancing competitiveness of the national economic subjects, achieving greater employment rate, and raising the standard and quality of living of the citizens of the Republic of Macedonia. This priority started to be practically realized in the first year of the implementation of the Program of the Government of the Republic of Macedonia for the period of 2008-2012. However, in the second year of the implementation of that Program, the Government of the Republic of Macedonia faced serious and sometimes impassable problems in the realization of the determined objectives. Understandable, the most serious reasons for that are the world economic crisis and the penetration of the national economy in the recession zone. This means that the activities of the Government of the Republic of Macedonia, in this reporting period as well, were mostly directed towards soothing the effects of the crisis and making efforts to draw the national economy out of it less injured. In that direction, the programmed measures and activities have been taken, as well as certain emergency ones, that were supposed to act in the direction of enhancement of the business climate in the country, and also for decreasing the consequences of the crisis which were strongly mirrored in the industrial, investment and trade domain.

3.1. Planned and implemented activities of the Government of RM in the reporting period

The main role in the realization of the planned measures and activities in the already mentioned areas is on the part of the Ministry of Economy. The dynamics and significance of the realization of the greatest part are contained in the Program for Activities of that Ministry in 2009. From the presented data in the report for its work in 2009 can be concluded that the greatest part of the programmed activities in the subject areas has been realized. Most of them were realized within the end of October, 2009. Part of them was realized during the reporting period, among which, of particular importance are the following:

- In December 2009, the first draft version of the Strategy for Promotion of the Energetic Efficiency was presented. In it, possible ways for increasing energetic efficiency were presented, which is going to be in function of the further rational use of the poor energy generating sources in the Republic of Macedonia;

- The Strategy for Geological Researches was brought to the final phase and its aim is rational and sustained exploitation of the mineral raw materials in the Republic of Macedonia;
- In December 2009, the Government of the Republic of Macedonia adopted the Strategy for Implementation of the Legislation for the Appropriate Horizontal Organizations (standardization, accreditation, metrology and monitoring of the market), which main objective is harmonization of the national legislation with the one of the EU in the specified areas, which will increase the quality and competitiveness of the Macedonian products at the European markets, but also the necessary quality of the EU products which are launched at the Macedonian market;
- The realization of the Competitiveness, Entrepreneurship, Innovativeness and Industry Project was started. Its basic concept is ensuring greater services for realizing business development through capacity building of national service providers and greater promotion and implementation of the principles of entrepreneurship-learning at all levels of education, which should act in the direction of increasing competitiveness of the Macedonian economy, increasing its growth rate, thus decreasing the unemployment rate in the country;
- The final activities were completed for realization of numerous subsidizing programs for encouraging the competitiveness of the Macedonian products, tourism, textile industry, consumer protection, sun collectors, etc.;
- With the same pace as in the previous period, in the reporting period as well, promotion of the Macedonian economy at home and abroad was conducted in different ways (campaigns, leaflets, international fairs and conferences, forums, workshops, guides, etc.). Moreover, the emphasis was put on the promotion of the export of Macedonian products and of tourist and investment potentials of the country;
- The realization of the Project for Reform of the Business Environment and Investment Strengthening-BERIS continued, which was realized in cooperation with The World Bank. Its successful implementation was one of the more significant reasons for the high ranking of the Republic of Macedonia in the domain of the economic freedom of entrepreneurs, which was elaborated in details in the previous two chapters;
- In order to encourage the national investors to increase their own investments in the country and thus have an equal treatment as the foreign ones, the Government of the Republic of Macedonia adopted a decision with which the national investors have the same investment advantages in the free industrial areas as well as the foreign investors (profit-tax relief and personal income tax relief in the first ten years of investment);

- The project for capacity building of the institutions included in the implementation of the industrial policy was completed, which was financed by the IPA program. The aim of the project is increasing the competitiveness of the national economy based on innovativeness, cooperation, entrepreneurship development, internationalization of the economy, etc. The project is planned to start its realization effectively in the course of 2011.
- At the beginning of January 2010, the Government of the Republic of Macedonia adopted a Program for Development of the Entrepreneurship, Competitiveness and Innovativeness of Small and Medium-sized Enterprises in 2010. With it, an amount of 6.4 million denars was allocated from the budget of the Republic of Macedonia, which will be allocated for the support of numerous activities listed in the program, and which should lead towards realization of the basic aims of that program;
- In the middle of January 2010, the Government of the Republic of Macedonia adopted a Program for Promotion and Support of Tourism for 2010. With that Program an amount of 9.3 million denars was allocated from the budget of the Republic of Macedonia which will be distributed for the support of numerous activities listed in the program, which should lead towards realization of the basic aims of that program, etc.

Consequently, in the reporting period as well, an intensive activity of the competent institutions was noticed, and especially of the Ministry of Economy, for the realization of the bulk of the program activities and measures. The realization of the bulk of them, to a great extent, conditioned for the improvement of the business climate in the country. However, their practical effects are almost insignificant having taken into account the size of the industry, investments and trade in the course of 2009.

Namely, the industrial production in 2009 in respect of that realized in 2008 was smaller for 7.7 percent. It is encouraging that the data for the realized industrial production was increased in December 2009 in respect of November 2009 for 2.0 percent. Whether that data can be taken as encouragement on the road towards country's way out of the recession will be shown by the performances in the first 2-3 months of 2010.

The national and foreign investments noticed falling dimensions in comparison to those from the previous year for reasons which were commented in the previous two chapters. The trade on the domestic market also noticed falling dimensions, which is again a result from the decreased incomes of the population.

This means that three out of four most important components which create the contents and determine the size of the gross domestic product (personal expenditure, investment expenditure and foreign trade expenditure which was talked about in the

previous chapter) noticed falling dimensions. That, certainly, is a total benchmark for negative growth rate of the economy in 2009 of about 1.2 percent.

Of course, when determining the reasons for those conditions and movements, one should always have in mind the negative effect of the world economic crisis under which influence was the Macedonian economy during the course of 2009.

3.2. What remains to be implemented (not implemented yet or not yet finished) in the analyzed period

As already mentioned before, in the reporting period as well, the bulk of the planned program activities were realized in the area of trade, industry and investments. However, because of the need for taking new measures which were to correspond to the newly developed (recession) conditions in the economy, part of the planned activities were not realized or were started, and then partially realized, thus they are left to be completed in the period to come. Here, primarily, we refer to:

- Incomplete implementation of the Program for Encouraging Investments in the Republic of Macedonia (2007-2010);
- The inability to find interested strategic investors in the four enterprises with a dominant state ownership (“Ohis”, “EMO”, “Evrokompozit” and “Tutunski Kombinat-Prilep”);
- Realization of the Strategy for Reconstruction of the Textile Industry;
- Realization of the Program for Reconstruction of the Steel Industry;
- Realization of the Law on Product Security;
- Realization of the Program for Consumer Protection for the period 2009-2010;
- Adoption of the Law on Small-sized Trade;
- Selection of strategic investors for realization of the energetic projects- Hydroelectric Power Plant (HPL) “Chebren” and HPL “Galishte”, specifying the model for investment in HPL “Boshkov Most”, elaboration of a feasibility study for hydro energetic usage of the water potential of the river Vardar (i.e. Vardar valley);
- Building small hydroelectric power plants, etc.

Those and numerous other projects are components of the Program for Work of the Ministry of Economy for 2010, thus the bulk of them are expected to be realized during 2010.

3.3. Evaluation of the potential risks from (non)implementation or from (non) quality implementation of activities

The realization of the bulk of the planned activities is individual and independent from the current events. However, part of the planned activities will probably not be realized or they will be partially realized in the period to come because of the numerous restraining factors that the Government of the Republic of Macedonia is going to face. Of course, the bulk of them are concentrated in the uncertainty for the future movement of the economic crisis, and thus from the speed in which the Republic of Macedonia is going to come out of the ongoing recession. Therefore, the dynamics and speed which will be used by the greatest trading partners of the Republic of Macedonia (Germany, Russia, Italy, Serbia and Greece) to come out of the great difficulties that their economies face are of great importance, because the size of the export demand of Macedonian products depends on it, as well the size of the production, investments, consumption and (un)employment in the Republic of Macedonia.

Furthermore, a serious threat for the Macedonian economy will be the possible increase of the energy generating sources at the world markets (oil, coal and electricity) by which import it depends on.

(Non)solution of the problem mentioned several times already, concerning the accession of the Republic of Macedonia in the EU and NATO, as well, can be a serious threat and risk for (non) realization or for partial or slow realization of the planned activities in the subject areas.

At home, the most serious threats that economic subjects face in the areas of industry, trade and investments come from the utmost restrictive monetary policy, which in conditions of recession, strictly restrains their access to the bank credits they need for improving their liquidity and for encouraging their economic activity.

3.4. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations

Taking everything into account, in the reporting period several planned activities of the Government of the Republic of Macedonia were conducted, as well as those that were not planned at all, in the areas of trade, industry and investments. They, primarily, were directed towards improving the business climate in the country and creating conditions for increasing the competitiveness ability of the national producers. Especially noticeable is the effort being made for the promotion of economic possibilities of the Macedonian economy with the aim of attracting foreign investments, as well as encouraging domestic investments.

However, besides that, the evaluation is that in the course of 2009, which means in the reporting period as well, the bulk of those activities were little fruitful, and some of them were not at all. The basic reasons that lead to that conclusion can be found in the impact of the world economic crisis which culminated in the middle of 2009 and lasted until the end of the year. Moreover, the crisis gained a corresponding manifestation in the recession of the Macedonian economy. Eventually, the inherited inadequate structuring of the national economy was a serious restraining factor for the realization of substantial results in the subject areas. All that together led to achieving negative results in the bulk of the economic indices for the performances in the stated areas.

However, it can be said that, owing to some of the undertaken program activities, and to a great extent to the newly created measures and activities, the Government of the Republic of Macedonia managed to sanction a great deal of the consequences of the economic crisis and to ensure that the Macedonian economy draws out of the crisis relatively less injured in comparison to the performances in the other countries and with the expectations for the possible consequences from it.

However, the world economic crisis is not finished, and the Republic of Macedonia is not out of the recession yet. This means that in the course of 2010, the Government of the Republic of Macedonia is going to face numerous challenges, threats and risks. Therefore, it is required to act in the same pace in the direction of realizing the programmed, as well as other activities which, in the given moment, will be considered necessary, for the purpose of hampering new impacts on the economy on one side, and on the other, its enabling for gradual drawing out of the recession phase and taking it on the more prosperous phase of its development. It seems that the greatest challenge on that road will be the direction and the manners of the future work of the fiscal and monetary policy, as well as the possible consequences from (non)receiving date for the start of negotiations of the Republic of Macedonia for the EU membership, and (non)receiving an invitation for membership in the NATO alliance. However, on medium and long term, the authorities should consider taking measures for changing the structure of the Macedonian economy as a precondition for performing further constant positive results and for protection from possible future shocks the country is possible to be exposed to.