

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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FORMER YUGOSLAV REPUBLIC OF MACEDONIA

REQUEST FOR OBSERVER STATUS

The following communication, dated 13 October 1993, has been received from the Ministry of Foreign Relations of the Former Yugoslav Republic of Macedonia.

I avail myself of this opportunity to inform you that the Ministry of Foreign Relations forwarded the Decision of the Government of the Former Yugoslav Republic of Macedonia and other necessary documents for acceding to the GATT as an observer state (see Annexes I and II). Immediately after being granted this status the activities for full accession of the Former Yugoslav Republic of Macedonia to GATT will be undertaken.

As you have been already informed during your recent stay in the Former Yugoslav Republic of Macedonia the main objective of our economic strategy is the creation of open market economy. The GATT principles are integrated in the foreign trade of the Former Yugoslav Republic of Macedonia.

We kindly request our application for observer status in GATT to be placed on the agenda of the GATT Council to be held on 27 October 1993.

ANNEX I

Pursuant to Article 45 of the Law on the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No.38/90), the Government of the Republic of Macedonia has brought a

DECISION

on submitting the application for accession of the Republic of Macedonia to the General Agreement on Tariffs and Trade (GATT) as an observer state

1. The application for accession of the Republic of Macedonia to the General Agreement on Tariffs and Trade (GATT) as an observer status to be submitted.
2. The Ministry of Foreign Relations to be in charge of the realization of this decision.

No.23-2355/1
26 July 1993
Skopje

Branko Crvenkovski
President

ANNEX II

SURVEY OF ECONOMIC SYSTEM AND FOREIGN TRADE AND CURRENCY REGIME OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Introduction

The Former Yugoslav Republic of Macedonia achieved its independence and sovereignty on 8 September 1991 after a successful referendum, and is the only successor state of the former Socialist Federal Republic of Yugoslavia (SFRY) that avoided all armed conflicts and peacefully gained its political independence.

The Former Yugoslav Republic of Macedonia is situated in the central part of the Balkan Peninsula covering an area of 25,713 square kilometres, that is 9,928 square miles. According to the latest census of 1991, the population amounts to 2,033,964, out of which 65.3 per cent are Macedonians, 21.7 per cent are Albanians, 3.8 per cent Turks, 2.5 per cent Rhomas, 0.3 per cent Vlachs and others. The Former Yugoslav Republic of Macedonia borders on the Republic of Greece, the Republic of Bulgaria, the Federal Republic of Yugoslavia and the Republic of Albania, and is a land-locked country.

Having achieved its political independence the Former Yugoslav Republic of Macedonia started to create a new economic system based on the market and its regulations. The creation of an open market export oriented national economy represents a main objective of economic reforms. The freedom of the market and of entrepreneurship is guaranteed by Article 55 of the Constitution of the Former Yugoslav Republic of Macedonia. To this effect, in the past period the Assembly of the Former Yugoslav Republic of Macedonia¹ passed many laws, or the procedure for their adoption is under way. Some of the most significant are: The Law on National Bank of the Former Yugoslav Republic of Macedonia, the Law on Transformation of Socially-Owned Capital, the Law on Banks and Saving Institutions, the Law on Foreign Trade, the Foreign Exchange Law, the Law on Foreign Credit Regulations, the Law on Foreign Investments, the Customs Law, the Law on Protection of Industrial Property, the Law on Bonds, the Law on Concessions, the Law on Sale of Socially-Owned Apartments etc.

In accordance with its competence, the Government of the Former Yugoslav Republic of Macedonia has also adopted many sub-law acts aimed at the elaboration of the laws passed by the Assembly.

1. CURRENT ECONOMIC TRENDS

The Former Yugoslav Republic of Macedonia, as a country in transition, besides the problems that all countries in this process have, faces extremely grave difficulties resulting, first of all, from its external environment. The events in the territory of the former SFRY and changes in Central and Eastern Europe should be stressed as well.

Thus, for example, in 1987, 22 per cent of its consumption had been imported from successor States of the former Yugoslavia, and exports to these countries had amounted to 23 per cent of the country's GNP. Damages the Former Yugoslav Republic of Macedonia has suffered as a consequence

¹In the first multi-party elections held in November 1990, 120 deputies constituting the Assembly of the Former Yugoslav Republic of Macedonia were elected. Out of 20 parties that participated in the elections, 8 have their representatives in the Assembly.

of sanctions imposed against the Federal Republic of Yugoslavia (Serbia and Montenegro) with the UN Security Council resolutions 757 (1992), 787 (1992) and 820 (1993) have been estimated at US\$1.8 billion. At the same time, due to the well-known events in the Republic of Bosnia and Herzegovina, the exchange with this state has been utterly stopped, and the trade with Slovenia and Croatia has been impeded due to the transport ban over the territory of the Federal Republic of Yugoslavia.

During the 1980s also, 35-40 per cent of the exports of the Former Yugoslav Republic of Macedonia were directed towards the Eastern European states. However, because of the well-known changes in these countries, these markets are also partially lost for the Macedonian economy.

As a result of such economic environment, the GNP of the Former Yugoslav Republic of Macedonia has been decreasing in the last 4 years at the annual rate of 13 per cent. The same is expected to decrease in 1993 by an additional 15 per cent. The GNP per capita has fallen from US\$1,078 in 1990 to only US\$687 in 1993 (calculated on the basis of the method of material output).

Despite the permanent decrease of production and in view of all the difficulties that the economy has been facing due to the loss of traditional foreign markets, the Former Yugoslav Republic of Macedonia has managed to maintain the volume of its foreign trade.

Transformation of socially-owned capital

In reforming the economic system, a particularly important place was given to the transformation of socially-owned capital to private capital. This process was commenced in the Former Yugoslav Republic of Macedonia in early 1990 with the Law on Transformation passed by the Federal Assembly of the former SFRY. On obtaining the independence of our state, as a result of the numerous defects in the previous Federal Law on Transformation, it was decided to prepare a new concept for privatization. The new concept was prepared in cooperation with a consulting company from Great Britain. The European Bank for Reconstruction and Development, which financed the project, highly regarded it. The new Law on Transformation of Socially-Owned Capital (Official Gazette of the Former Yugoslav Republic of Macedonia No.38 of 21 June 1993) provides for the transformation of socially-owned capital into private, state or collective by issuing and selling of shares up to the estimated value of the concrete socially-owned property to be transformed. For that purpose, an Agency for the Transformation of Socially-Owned Capital was established with a task to organize and control this process.

It should be noted that both domestic and foreign persons and legal entities can purchase socially-owned enterprises under the same conditions.

Funds to be collected from privatization will serve for regulation of the domestic and foreign liabilities of the state, for provision of social security of the employees who will lose their jobs as a result of restructuring of the privatized enterprises, as well as for finance of development programmes and projects.

2. MACROECONOMIC POLICY FOR 1993

Taking into account the situation and trends in the economy, as well as the necessity to create conditions for mitigating grave problems and limitations, the main objective of the macroeconomic

policy for 1993 is achievement of macroeconomic stability and cutting down inflation². To this effect, activities will be focused on:

- Increase in exports of goods and services and of foreign currency onflow on all bases;
- Achievement of balance between public expenditures and revenues;
- Creation of conditions for regular supply of the economy with energy and of the population with certain products, as well as for social protection of the population.

The realization of the aim and tasks of the macroeconomic policy for 1993 presupposes: pursuit of monetary policy with a strict control of the money in circulation - M1; maximum increase of effectiveness in collecting public revenues and the adjustment of a number of purposes and programmes and strengthening of financial discipline.

Direct control over prices is reduced to a small number of products (16 per cent of prices in industry) and applies to products and services of vital importance.

3. FOREIGN TRADE REGIME

With the adoption of new regulations in the field of economic foreign relations: the Law on Foreign Trade Operations (Official Gazette of the Former Yugoslav Republic of Macedonia No.31 of 20 March 1993); the Customs Law (Official Gazette of the Former Yugoslav Republic of Macedonia No.20 of 2 April 1993); the Law on Foreign Credit Operations (Official Gazette of the Former Yugoslav Republic of Macedonia No.31 of 20 May 1993) and the Law on Foreign Investment (Official Gazette of the Former Yugoslav Republic of Macedonia No.31 of 20 May 1993); the Foreign Exchange Law (Official Gazette of the Former Yugoslav Republic of Macedonia No.30 of 14 May 1993), the institutional grounds and conditions for business activities for all legal entities engaged in this sector have been created. The main aim of all these laws is the creation of modern and dynamic foreign economic relations which will be based on market criteria and principles dictated by the principles of open economy, that also apply and are being implemented in the developed countries.

The Law on Foreign Trade Operations enables the registration of all economic entities in the Former Yugoslav Republic of Macedonia interested in performing foreign trade activities. All enterprises engaged in this activity have the same rights and liabilities, whether they are private, social or mixed.

Enterprises registered to perform foreign trade activities can freely trade in all kinds of goods and services, except in arms, gold and other specifically listed goods.

4. IMPORT REGIME

The present import régime is to a great extent inherited from the former SFRY which has signed the General Agreement on Tariffs and Trade. After the achievement of its political independence and

²Immediately before the introduction of its monetary independence, inflation was extremely high and in April 1992 in relation to March 1992 amounted to 86 per cent. With the anti-inflationary programme adopted by the Assembly of the Former Yugoslav Republic of Macedonia, the monthly inflation was managed to be reduced to 20 per cent, which was considered a success. In the course of this year (May 1993) further measures aimed at its decreasing were undertaken. In the first nine months of this year the average monthly inflation rate amounted to 9.8 per cent; the monthly increase in retail prices since May 1993 is one-cipher number and in July a deflation was noted.

sovereignty, the Former Yugoslav Republic of Macedonia has made several changes in this domain aimed at further liberalization of the imports of wheat, flour, sugar, meat and some other products. The import of goods is free for 95 per cent of the import categories.

The main goods imported in the Former Yugoslav Republic of Macedonia are: crude oil, acrylonitrile, cotton, cowhide, vinyl chloride, wool etc.

5. EXPORT REGIME

The export of goods and services from the Former Yugoslav Republic of Macedonia is free. Limits imposed on exports are insignificant and relate to some specific products. These restrictions are mainly inspired by security and health reasons.

The most important products exported from the Former Yugoslav Republic of Macedonia are: shoes, ferrosilicium, buses, synthetic fibres, tobaccos and cigarettes, non-ferrous metals, textiles, agricultural products, etc.

6. CUSTOMS REGULATIONS

The Customs Law sets up a Customs Administration of the Former Yugoslav Republic of Macedonia whose activities include, *inter alia*, customs control, control of goods whose import or export is specifically regulated, as well as the statistical export-import data procession and survey.

Customs rates range from 0-31 per cent. The average customs rate amounts to approximately 15 per cent. The number of goods cleared at the highest rate is very small. The decision on the reduction of this rate is being prepared. Thus, for example, the car import customs rate will be reduced from 25 per cent to 7-15 per cent depending on the type of vehicle. In addition to this, there exists a customs evidence tax of 1 per cent and some other special taxes amounting up to 15 per cent, depending on the kinds of goods and services.

Import customs rates of the Former Yugoslav Republic of Macedonia are inherited from the former SFRY and are pursuant to the GATT Protocol of 1989, List of Concessions No.67.

Export is duty free.

7. FOREIGN EXCHANGE REGIME

In April 1992, the Former Yugoslav Republic of Macedonia achieved its monetary independence by introducing its currency - the denar. The exchange rate of the denar is freely determined at the foreign exchange market as a result of the supply-demand relation. Purchase and sale of foreign currency are not taxed, but banks can charge a commission for performed services. Enterprises, banks and the National Bank of the Former Yugoslav Republic of Macedonia are entitled to buy and sell foreign currency at the foreign exchange market. Through the National Bank the state can appear in this market.

On 1 October 1993, the denar exchange rate amounted to 17.82 denars for 1 DM, that is 28.86 denars for 1 US\$.

Exporters of goods and services can use their foreign currency inflow for the payment of due liabilities towards the economy, sell them at the foreign exchange market or deposit them at banks, but for a period of up to 90 days, for which they are entitled to interest on the deposit. After the expiration of this time limit, these funds must be used either for the payment of foreign liabilities or they should be sold at the foreign exchange market.

Goods and services importers can freely buy foreign currencies at the foreign exchange market if they have funds in denars.

Cooperation with the countries of Eastern and Central Europe and with the successor states of the former SFRY is carried out on the basis of the principles and criteria of the world market and through a convertible payment. At the same time, the exchange with these countries will be performed through certain kinds of compensation transactions, in accordance with the inter-states agreements. When determining compensation and other specific operations, priority will be given to the exports whose marketing at the foreign markets is impeded, and to the imports of products important for the supply of the population and of the economy.

Persons can buy at authorized banks and at exchange offices up to DM600 in cash annually. Nevertheless, persons can execute import payments on any amount through transfers from their bank accounts.

8. ATTRACTION OF FOREIGN CAPITAL

The Former Yugoslav Republic of Macedonia plans to cover partially the lack of capital and of modern technology by pursuing an open-door policy to direct foreign investments. To that end, the Law on Foreign Investments has been passed. According to this Law, direct foreign investments are permitted in all sectors (primary, secondary and services) with some exceptions (arms manufacturing and specifically listed activities). Pursuant to this Law, foreigners and legal entities incorporated abroad are enabled to invest in existing enterprises, to participate in joint ventures or to establish new enterprises (they can be holders of 100 per cent of the incorporating capital). If the incorporating capital is in the form of raw materials, spare parts and equipment and the participation of the foreign investor is over 20 per cent, then the import is duty free. The right to free transfer of the invested capital and of the profits is guaranteed by the Law on Foreign Investments in the Constitution of the Former Yugoslav Republic of Macedonia. According to Article 59 of the Constitution of the Former Yugoslav Republic of Macedonia foreign investors are guaranteed the right to free transfer of the invested capital and of the profits. The same Article guarantees the investors that these rights cannot be restricted by any other law or regulation.