



### III. Foreign Trade and Foreign Exchange Developments in the Republic of Macedonia

#### Basic indicators for the foreign trade and foreign exchange developments

	month	(in US Dollar million)	Monthly changes in %	I-IV.2003 (in US Dollar million)	Changes in %
					compared to the same period of the previous year
<b>Foreign trade</b>	IV.2003	300.1	-11.8	1,124.1	21.3
<b>Export</b>	IV.2003	117.3	-2.2	411.0	23.7
<b>Import</b>	IV.2003	182.9	-17.0	713.1	20.0
<b>Balance</b>	IV.2003	-65.6	-34.6	-302.1	15.4
					compared to the end of the previous year
<b>Foreign debt</b>	IV.2003	1,560.5	1.3	-	2.8
<b>Exchange rate on foreign exchange market</b>	IV.2003				compared to same month of the previous year
(Denars per unit foreign currency)					
<b>MKD / USD</b>		55.85	-2.1		-17.2
<b>MKD / EURO</b>		61.19	-0.1		0.4

Source: State Statistical Office of the Republic of Macedonia and National Bank of the Republic of Macedonia



## 3.1.

Foreign trade<sup>6</sup>

*In April 2003, monthly decrease in the foreign trade of the Republic of Macedonia was registered, with a decrease in the exports...*

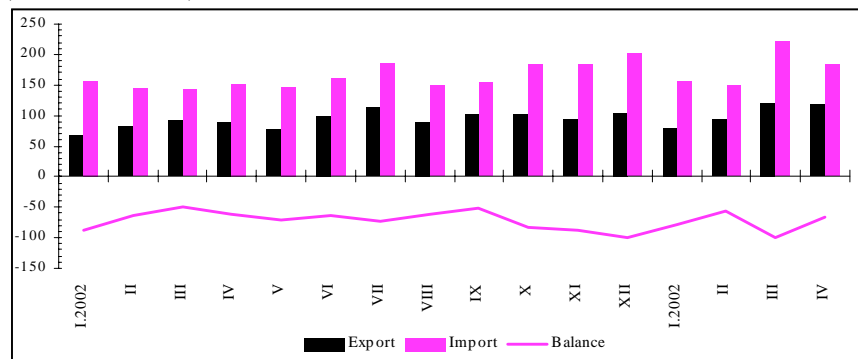
*...and significantly intensive decrease in the import of good being registered*

In April 2003, the volume of the foreign trade of the Republic of Macedonia registered monthly decrease of 11.8%, and equaled US Dollar 300.1 million. The exports dropped by 2.2% on a monthly basis and equaled US Dollar 117.3 million, with a faster decrease of 17.0% being registered in the imports, which equaled US Dollar 182.9 million. The monthly decrease in the exports is caused by the decrease in the sales of clothes and textile (by 20.9%) and iron and steel (by 5.5%). Analyzed by sectors and units<sup>7</sup>, in April 2003 the highest share in the exports of the Republic of Macedonia accounts for clothes (26.0%) and for iron and steel (19.5%). The monthly decrease in the imports is due to the lower import of mineral fuels by 46.2%, primarily as a result of the high comparison base (high increase in the import of mineral fuels in the previous month due to the expected increase in the price of oil at the international stock exchanges due to the war in Iraq). Thus, the import of oil and oil products accounts for 10.7% of the total import in April, which is by 4.7 percentage points less compared to the previous month. In addition, a decrease was also registered in the import of textile for further processing (by 8.3%) and in the import of iron and steel for further processing (by 20.1%). The trade balance deficit equaled US Dollar 65.6 million and it decreased by 34.6% on a monthly basis.

The annual comparison (April 2003 / April 2002), shows that the total foreign trade of the Republic of Macedonia registered an increase of 25.2%, with an increase in the exports and the imports of 32.1% and 21.2%, respectively. The trade deficit increased by 5.5% on annual basis.

Chart 22

Exports, imports and balance of foreign trade  
(in US Dollar million)



*In the first four months of 2003, an increase in the exports and in the imports of 23.7% and 20.0%, respectively, was registered*

In the January - April 2003 period, the foreign trade of the Republic of Macedonia reached US Dollar 1,124.1 million, which is a cumulative increase of 21.3% compared to the same period in 2002. The exports increased by 23.7%, and the imports increased by 20.0%, thus reaching US Dollar 411.0 million and US Dollar 713.1 million, respectively. The improved production activity in the steel industry during the first four months of 2003, resulted in an increased export activity in this industrial branch. Thus, during the analyzed period, an increase in the export of iron and steel of 75.7% was registered. On the other hand, the export of clothes and textile also increased by 29.9%, but the fact that mainly further processed products are exported, points to the weak primary production in

<sup>6</sup> Preliminary data from the Statistical Office of the Republic of Macedonia. The export of goods is presented on f.o.b. basis, while the import of goods is presented on c.i.f. basis

<sup>7</sup> The categorization of certain products in sectors and units is performed in accordance with the system of international trade classification.



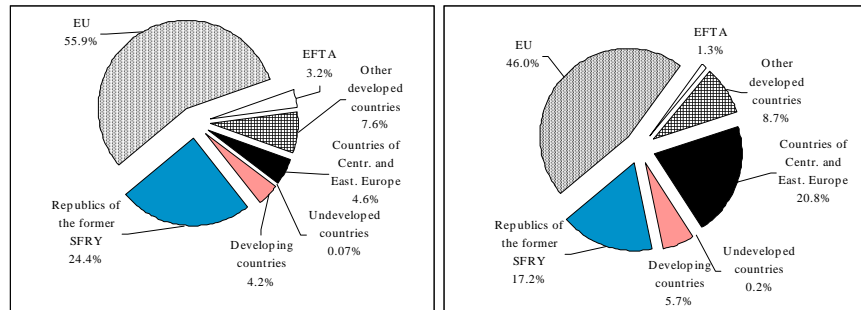
the textile industry. Consequently, iron and steel for further processing (an increase of 56.5% compared to the same period of the previous year) and textile for further processing (an increase of 32.8%) dominate the structure of imports during the analyzed period. Thus, 49.9% of the total export of the Republic of Macedonia in the January - April 2003 period is based on the principle of further processing (48.7% in the same analyzed period in 2002), while the share of the further processed products in the structure of imports equals 20.3% (an increase of 2.0 percentage points compared to the previous year, with the share of iron and steel in the total import of further processed products being equal to 82.3%). The import - export coverage ratio in the January - April 2003 period equals 57.6% (compared to 55.9%, in the same period of the previous year).

*European Union - dominant group of countries in the foreign trade of the Republic of Macedonia*

In the January - April 2003 period, 55.6% of the total export was placed in the European Union (EU), while 46.0% of the total imported goods in the Republic of Macedonia originate from the EU. During the analyzed period, 38.7% of the export to EU was realized in Germany (42.0% in the same period of the previous year), while Greece with its share of 22.8% increased its participation in the structure of the Macedonian export to EU by 4.9 percentage points. The trade with the Republics of the former SFRY, the export to Serbia and Montenegro participates with 68.6% of the total export to this region (a decrease of 3.3 percentage points compared to the same period in 2002). The share of the export to Croatia (19.4% of the total export to former Yugoslav Republics) increased by 3.2 percentage points. The share of the export to Bulgaria of 45.0% of the export to the East European countries increased by 7.5 percentage points during the analyzed period.

Regarding the import, the import from the EU countries increased its share by 4.7 percentage points on cumulative basis, mainly due to the high increase in the imports from Greece (the share of which in the total import of the Republic of Macedonia from EU equaled 39.4%, which is an increase of 12.5 percentage points compared to the same period of the previous year). Despite the increased import from Germany, its share in the import from EU is reduced to 27.3% (31.3% in the same period of 2002). During the same analyzed period, an increase in imports from all former Yugoslav Republics was registered. The highest share in the import from these group of countries accounts for Serbia and Montenegro and equaled 53.3% (this share equaled 51.9% in the same period of 2002). The import from Bulgaria accounts for 43.9% of the import from the East European countries (an increase of 9.2 percentage points in comparison with the same period of the previous year).

Chart 23  
Foreign trade of the Republic of Macedonia according to groups of countries, I-IV.2003





### **Formal membership of the Republic of Macedonia in the WTO**

On April 4, 2003, the Republic of Macedonia officially became the 146th member of the World Trade Organization. With the admission to this international organization in October 2002, the process of harmonization of the legal regulations with the WTO standards started. Within this framework, the Parliament of the Republic of Macedonia adopted the new Law on Customs Tariff, which became effective on April 8, 2003. This Law, together with the adopted by-laws, set the rules for calculation of the customs duties, the customs nomenclature, the rules for classification of goods according to tariff numbers and sub-numbers, as well as the amount of the rates of the customs duties which should be applied in the import of goods in 2003. The Government of the Republic of Macedonia, in accordance with the undertaken obligations from the Protocol for admission to the WTO, shall coordinate the Customs Tariff for the next year until November 30 of the current year, at latest.

The new Law on Customs Tariff reduces the average customs burden from the current 15% to 8%. The margins of the customs rates observed by group of products are the following:

- grease produced from oil: 20%;
- medicines intended for retail sale: 13%. Within a 5-year period, this rate shall be reduced to 5%;
- leather goods from 10% to 13%, the final leather and fur goods from 13% to 25%;
- the rate of customs duties on the wood products shall decrease to 18% within a 5-year period, while the rate of customs duty of the furniture shall decrease to 12% within a 3-year period;
- rate of customs duties for the paper and cardboard products shall be reduced to 10% within a 5-year period;
- yarn and wool are protected with a customs duty rate of 10%. The customs duty rate of the textile equals 30%, but it will be reduced to 20% within a 5-year period. The customs duty rate on garment industry products remains at 35%, although it shall decrease to 25% in the next five years, so it will equal 17.5% beyond 2010;
- the non-metals are protected with a customs duty rate from 15% to 20%;
- the products made of iron, steel and ferrous metals (for which a rate of 0% is requested), are protected with a customs duty rate of 15% -20% in the next 3 to 5 years. This rate shall be lowered by 5% to 8% within a 5-year period;
- all intermediate goods that are not produced in the country, and are used in the chemical, leather, wood industries and in the paper processing industry are free of customs duties.

The customs duties set by this Law are applied for the goods originating from the WTO member-states, the countries with which the Republic of Macedonia has concluded an agreement containing the clause for the most privileged nation, or with countries which implement this clause for the goods originating from the Republic of Macedonia. The goods originating from the countries with which the Republic of Macedonia concluded agreements for preferential trade regimes, are subjected to the customs duties set in those agreements. For the goods originating from other countries, duties higher by 70% than the customs duties set in this Law are applied, while for the goods for which customs duty "free" is set, a duty of 30% is applied.

Source: Law on Customs Tariff ("Official Gazette of the Republic of Macedonia" no. 23/2003) and the Bulletin of the Economic Chamber of Macedonia.