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FISCAL STRATEGY 2010-2012

12% EXPORT INCREASE IN TWO YEARS

Considering that the Macedonian economy is highly import-dependent, that is to say, most of its machinery and equipment is imported, expectations are that imports will rise at a rate of 13 percent in real terms.

In 2010, as a post-crisis year, the economy is expected to recover and the economic growth to be positive, standing at 2 percent. The inflation rate is expected to be the same. The economic growth of 2 percent in 2010 will be made possible thanks to the higher foreign demand in Macedonian products as a result of the recovery of the European economies. This is part of the projections for the Macedonian economy laid out in the government fiscal strategy for the 2010-2012 period.

“The Government of the Republic of Macedonia remains committed to providing continuity in the economic policy aimed at accelerating the economic growth, raising the competitiveness of the Macedonian economy and improving the standard of living. In the middle run, the effects of

the economic crisis in the world are expected to be overcome and the Republic of Macedonia is expected to get back on the path of achieving comparatively high economic growth rates and to continue the process of coming closer to the European economies,” the document drafted by the Ministry of Finance says among other things.

The moderate improvement of the situation in the financial and credit market is expected to have the same effect. In the middle run, higher growth rates are expected in 2011 (3.5 percent) and 2012 (5 percent). These projections draw upon expectations for weathering the global economic crisis in the countries that are Macedonia's most important trade partners and upon the expected increase in the prices of the most signifi-

cant products the Republic of Macedonia exports in the world markets. The global recovery will also mean realization of a substantial portion of the previously announced investment projects in the Republic of Macedonia, which is going to contribute to intensified economic activity.

From the point of view of expenditures, the economic growth will be fostered by investments and personal consumption, bearing in mind the expectations of a moderate growth of the employment rate and private sector credits. The gross investments, following the steep slide projected for 2009, is expected to recover over the next three years, reaching a 2-digit value in 2011 and 2012 as a result of the effectuation of the capital investments currently on a standby because

of the crisis and also as a result of the implementation of projected infrastructure projects in the program of the Government.

The realization of the announced investments in the technological and industrial zones, airports, infrastructure and energy are the reason behind the expectations of a real increase in investments and their positive contribution to the GDP growth.

On the other hand, the reduction of the workforce costs as a result of the additional cut of social contributions, the established cadastre on the entire territory of the Republic of Macedonia, the exemption of the profit from taxation, the recommendation from the European Commission for starting EU membership talks, as well as the reduced political and financial risk of the country are expected to be an important impetus for the foreign and domestic investors.

The signs of recovery of the European economies, as well as the structural reforms aiming to foster Macedonia's foreign trade are expected to have a positive effect on the export, which is projected to note a positive real growth of 12 percent in 2010-2012. Considering that the Macedonian economy is highly import dependent and that most investment products (machines and equipment) are imported, expectations are that the import is going to continue climbing up at a rate of 13 percent in real terms.

	2004	2005	2006	2007	2008
Real GDP Growth (%)	4.1	4.1	4.0	5.9	5.0
Annual Inflation (%)	-0.4	0.5	3.2	2.3	8.3
Central Budget Balance as % of GDP	0.0	0.2	-0.5	0.6	/
Coverage of Import by Export (%)	57.2	63.2	63.8	64.2	58.1

Source: State Statistical Office of the Republic of Macedonia, National bank of the Republic of Macedonia

	2004	2005	2006	2007	2008
Export growth rate, % increase	23%	22%	18%	40%	19%

Source: State Statistical Office of the Republic of Macedonia

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CEFTA – OBLIGATION FOR TRADE WITHOUT BARRIERS



The long and unjustified withholding of goods at border crossings, especially for the transport of seasonal agricultural products, customs procedures filled with too much administration, detention of vehicles because of non-compliance and other demands for the same thing by the customs and inspections, introduction of new certificates that complicate more the procedure, double controls of export goods as a result of non-recognition of the certificate on quality, phytosanitary and veterinary documents, are only part of the problems that Macedonian and Serbian businessmen presented at the Macedonian-Serbian Business Council, that took place at the border crossing Tabanovce in the middle of February.

Unfortunately, we have to conclude that after the last meeting of the Business council held four years ago, there are still problems connected to the work of the inspection and certification organs, infrastructural capacities and professional resources – stressed Branko Azesko, president of Macedonia's Economic Chamber. Some of them are even multiplied in the segment of nontariff barriers, which makes the distribution of goods more difficult. Businessmen cannot identify as many barriers as the administration can introduce because every ministry introduces new tariffs and requirements.

President of the Economic Chamber of Serbia Milos Bugarin, also agreed that allowing a faster passing at borders, recognizing the health, veterinary and phytosanitary certificates, the maximum reduction of working expenses

that are very high and burdening at the moment, as the increase of competitiveness of both countries in the region, are priorities for which, not only businessmen but also authorized institutions of both countries are in favor of.

“The multilateral CEFTA Agreement, that needs to be fully and efficiently implemented, binds both sides. It will allow non customs exchange and standardization of the working conditions according to the rules of the World Trade Organization and the EU standards,” stressed Bugarin.

Businessmen from both countries insisted on joint customs controls and procedures, joint inspection controls, acceleration of the process of electronic connection of trans-border customs offices, while the customs controls, by chance and based on risk assessment, to be regular procedure instead of a control for every trans-border delivery.

Serbian businessmen emphasized the interest for collaboration with Macedonian companies, and not only for increasing the total trade exchange, which reached 734 million dollars last year, but for larger mutual investments also.

Namely, in the last few years, Serbian investments in Macedonia reached around 30 million euros, while Macedonian investments in Serbia a symbolical amount of 600,000 euros.

The renovation of the railroad and road section of pan-European Corridor 10 and the defining of the mutual interests in the field of energy and telecommunications, with special focus on the construction of the gas line Ku-

manovo-Vranje and transmission line Skopje–Nis, are of key importance for the future collaboration between both countries. Talks were also held about the possibilities for joint performance on third markets and intensifying the cooperation in agriculture.

The total trade exchange between the two countries, in 2009,

reached a value of 134 million US dollars whereupon the Republic of Macedonia realized an export worth 337, 6 million US dollars while the import balance of Macedonia totaled 397 million US dollars. Moreover, the Republic of Macedonia realized a trade deficit of 59, 5 million US dollars.

GREEK CRISIS WILL NOT SPILL OVER TO MACEDONIA

Greek firms in Macedonia are not afraid that the crisis shaking their country will in any way have a negative effect on their operations. On the other hand, Finance Minister Zoran Stavreski has warned recently that the Greek crisis is one of the possible risks for the Macedonian economy.

“One of the possible risks for the economy in Macedonia is the situation in Greece. The negative influence from the crisis in Greece on us is the strongest although the danger from the crisis in Spain and Italy should not be underestimated either. These trends may affect the entire European economy and destabilize the euro. They are possible risks for a downturn of the Macedonian economy, too,” Minister Stavreski believes.

Abdulmenaf Bexheti, economic analyst, told *Observer* that all firms having links with Greece feel the

crisis, while analyst Sam Vaknin is convinced that the Greek crisis may prove particularly perilous for Macedonia whose unemployment exceeds 30 percent.

Contrary to the political tension between the two countries, over the recent years 280 Greek firms made investments in Macedonia. Some of them are trying to distance themselves from the problems in the Greek economy. Their business strategy is based on the Macedonian economy and they are more Macedonian than Greek firms.

In Macedonia Greece capital dominates two banks, Alfa Bank and Stopanska banka. According to unofficial information, these two banks fear no negative effect from the Greek crisis on their operations. They believe they have capacity to serve citizens, considering they have been able to do so during last year's crisis, too.

AUSTRIANS INTERESTED IN INVESTING IN TOURISM, CASINOS, AND TRANSPORT

Before investing in Macedonia, Austrian business owners demand legal security, which, in their view, is a crucial factor in taking investment decisions. Some 30 Austrian businessmen from various sectors met with representatives of the Macedonian business community in order to enhance the existing and negotiate future trade cooperation.

“In general all companies want the same things – legal security, good investment conditions, and long-term contracts. We had both good and bad experience here, yet in Macedonia there are still industries where investments can be made,” said Georg Waldner, president of the foreign investors' council.

The Republic of Austria is a big investor in Macedonia and, according to statistics, over the past three years it has been one of Macedonia's 20 biggest investors. Austrian businessmen are most interested in investing in tourism, casinos, and transport.

Gligor Bisev, vice president of the Economic Chamber of Macedonia, says that the sheer fact that Austrian businessmen are in Macedonia to learn more about the investment conditions shows that there is good potential in Macedonia. Because of the economic crisis last year, almost all activities of the investors were subdued and part of the announced investments was put off.

MONITORING OF TRANSACTIONS OF OVER 15,000 EURO

Notaries, car dealers, insurance companies, and banks should provide information on transactions of over 15,000 euros to the office for prevention of money laundering and funding terrorism daily or monthly. These rigorous measures and tightened control have been introduced with the modification to the law on prevention of money

laundering and funding terrorism that has been provided to the Parliament for approval.

All organizers of games of chance, the stock market, the central register and the central depository of securities also have the responsibility to take anti-money laundering measures.

PM GRUEVSKI: DEFICIT IS NO PROBLEM

Macedonia is not going to face a high deficit, because last year too in the heat of the crisis the country noted the second lowest budget deficit in Europe, said Prime Minister Nikola Gruevski regarding the conclusion of the IMF that the economy was recovering yet a challenge to many countries would still be their high budget deficits.

According to Gruevski, the second most important reason for the low deficit is the fact that the country made early repayment of its debt to international institutions and so from the point of view of the former debts and the

current borrowings, according to the World Bank rankings, Macedonia is in the group of low-debt countries.

"Macedonia's deficit last year was 2.77 percent of GDP and that was the second lowest budget deficit in Europe. This year the budget deficit has been projected at some 2.5 percent, which means that Macedonia is not going to have a deficit problem," the prime minister said.

Also, he believes that the industrial production rise of 20 percent in December last year is a sign that the economic crisis is gradually being overcome.

EUR 140 MN COLLECTED THROUGH TREASURY BILLS

The National Bank collected fantastic 140 million euros at the auction of treasury bills at the end of February. This is the highest sum realized from auctions over the past two years. The Central Bank comments that the high interest rate of 7.5 percent was the main reason for the banks' interest.

Experts say that banks find it more cost-effective to invest

in these securities now that the National Bank cut the rate on treasury bills. Instead of investing in the economy, the National Bank has far tied nearly 340 million euros to treasury bills.

The government, too, collects money from banks and citizens. By selling government securities, it has far gathered 227 million euros.

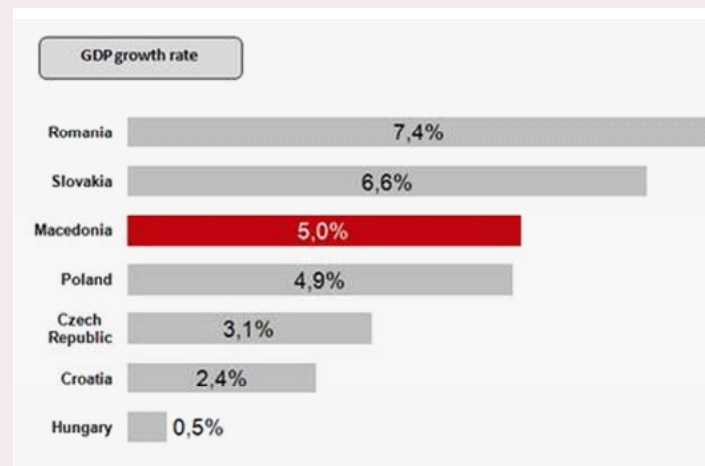
12% EXPORT INCREASE IN TWO YEARS

From the standpoint of the production side of GDP, the chief driving force of the growth is expected to be the service sector: trade, transport, tourism and finances, which are expected to realize a moderate real growth in 2010, likely to intensify by 2012. A high growth rate is expected to be achieved by the telecommunication sector, bearing in mind that the Republic of Macedonia is making serious progress in the use of the information technology and the process of digitalization.

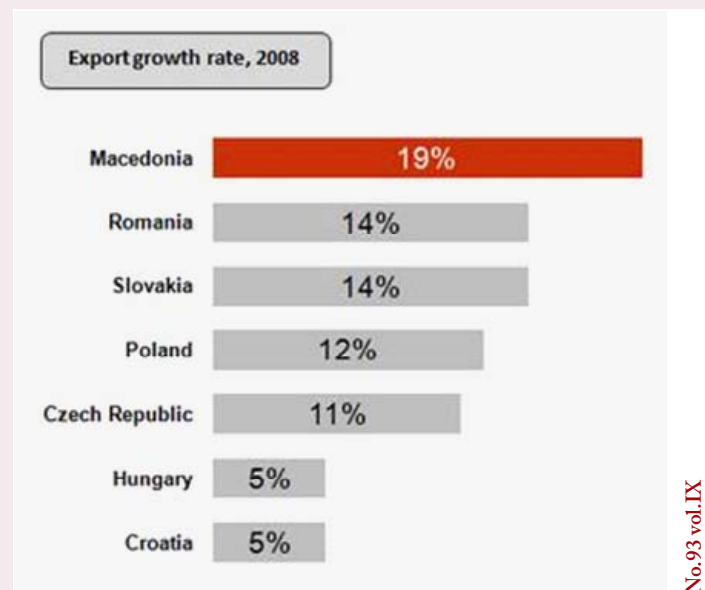
After the anticipated contraction in 2009, industrial production is expected to slowly recover with a real growth of 2.4 percent in 2010, 5.6 percent in 2011 and 7.3 percent in 2012. In the

building sector, as a result of the ambitious government program for infrastructural development of the country, the real growth is expected to reach up to 10 percent in 2012 (2.3 percent in 2010 and 6.6 percent in 2011). In the middle run, the rate of inflation is expected to rise moderately, standing at 2-3 percent in 2010-2012.

In the social sector, the rise in the employment rate in 2009 is expected to continue. According to projections for 2010, the employment rate will grow by over 3 percent and the unemployment rate will drop by 1.5-2 percent, whereby the unemployment rate in the Republic of Macedonia would dip to below 30 percent by end 2010.



Source: EUROSTAT (Newsrelease Euroindicators, 50/2009, 7 April 2009), National State Statistical Offices



Source: Eurostat (Newsrelease Euroindicators, 40/2009 - 23 March 2009), National Statistical Offices

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KOGEL-SEVER FIRST COMPANY TO TRADE IN CARBON DIOXIDE

It has been assessed that Kogel's reduction will be 54,000 tons of carbon dioxide a year. The plant is a joint venture of a number of investors from Macedonia. Even before the start of the construction, the managing team thought of using CMD, for which a special international consulting house was signed up.

The Kogel-Sever power plant is the first Macedonian firm endorsed by the United Nations to trade in carbon dioxide and make profit from it.

Apart from generating income from selling electricity, heating energy and technical steam as its primary activity, Kogel is also going to earn additional income from selling what is known as certified credits for reducing emissions of carbon dioxide. As to the size of the profit that the company is going to make from trading in carbon dioxide, director Aleksandar Kecovski says that it depends on the market price. In any case, 15 percent of the power plant's total income will be from carbon dioxide.

"It is the Clean Mechanism Development (CMD) in keeping with the Kyoto Protocol through which developed countries may subsidize building of energy facilities for reducing emission in developing countries. The procedure is quite complex and full endorsement takes a few years. The application is filed with the United Nations, the authority that grants the endorsement," Kecovski said.

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carbon dioxide a year. The plant is a joint venture of a number of investors from Macedonia. Even before the start of the construction, the managing team thought of using CMD, for which a special international consulting house was signed up.

"To have funding approved you should have a new facility and prove that the emissions of carbon dioxide will truly be reduced. In Macedonia there weren't any professional firms to carry out the entire process and therefore we hired Kamco International of Vienna, Austria," Kecovski said.

Experts believe that over the past few years a big opportunity has been missed of enticing substantial funding into the country based on the clean development mechanism. According to expert Tome Kostadinovski, Macedonia may receive between 500 million and one billion euros from 7.2 billion euros that the EU allocates to fight climate change and global warming.

BUCIM TO MAKE PROFIT FROM RESIDUES TOO

The copper mine Bucim developed a project that will make it possible to use the ore residues obtained over the past three decades for copper production and making profit.

The residues total 130 million tons and according to the initial expert analyses they can generate 70,000 tons of copper. The project has been provided to the management of the Russian com-

pany Solvey, a strategic investor in Bucim.

The mine plans to raise production by 60 percent and to process 37,000 tons of copper ore a year into 8,000 tons of clean copper and 450 kg of gold.

Nikolajco Nikolaov, Deputy CEO of Bucim, explains that two diggers have already been supplied for 1.8 million euros.



ENERGY EFFICIENCY PROJECT PROMOTED

The Ministry of Economy and the agencies for energy of Macedonia and Austria promoted the project for energy efficiency worth 1.7 million euros. The project will be implemented over a period of three years and will help create a legal obligation for energy efficiency in the building industry.

Macedonia loses as much as 40 percent of the energy in households and the public sector annually. All of this, according to Economy

Minister Besimi, points out the need for investments that will contribute to reducing energy losses.

Minister Besimi added that the national energy efficiency plan for the period 2009-2016 binds Macedonia by EU directives to achieve energy saving of 9 percent by 2016. The funds for the project have been provided by the Austrian agency for development and the state secretariat for economic affairs of Switzerland.

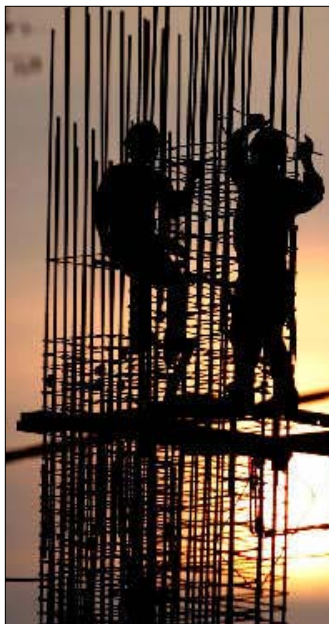
ENERGETIKA JOINS ENERGY SYSTEM

The new power plant Energetika was officially put to use on middle February. It is going to produce both electricity and heating energy. It is an investment of ELEM worth 3.5 million euros that has fully reconstructed two old turbo aggregates. The new energy facility is going to use natural gas and will have capacity for annual production of electricity of up to 150 GWh and 200 GWh of heating energy.

This system is going to cut the electricity price and the use of natural gas is going to considerably reduce environmental pollution. The production price of electricity and heating energy will be market and stand at 40-45 euros per MWh. It will be offered to the firms operating in the area of the Skopje Zelezarnica where Energetika has been built.

90 PERCENT OF APARTMENTS ARE BOUGHT ON CREDIT

According to contractors, depending on the location, the price of the location moves from 50 to 100 euros per square meter while the amount of land rates per square meter is around 100 euros. The state land that is offered by a public tender is even at a higher price.



The Government is going to subsidize building of apartments with 200 meters per sq. meter. This measure is still being analyzed by experts at the Ministry of Finance. Experts say that if the Government is considering subsidizing the construction and the sale of apartments, it needs to help citizens.

The real estate agencies say that, along with the present prices of apartments and the high credits, citizens are not able to buy an apartment. On the other hand, the contractors complain that there is only a small progress with the construction and the sale of apartments with the last governmental measure for reducing the value added tax (VAT) from 18 to 5 percent. According to them, the apartments cannot grow cheaper since the prices of the locations and land rates are high.

Chiefly, in order for the apartments to grow cheaper, the tariffs that influence the forming of prices should be reduced: the costs for locations and land rates as well as the amount of the sales tax when buying old apartments," says Saso Pop Iliovski from real estate agency "Happiness". Ac-

ording to Iliovski, the sale of apartments along with the increase of constructions can be expected if the prices of the square meters of apartments are reduced by around 20 percent, but also with more favorable credits for citizens because 90 percent of apartments are bought by citizens on credit. As of 1 January, Komercijalna Banka reduced the rate of interest. As the bank announced, a reduction of 0.6 percent will be available for mortgage credits and 0.5 percent for home and business loans, as well as for the denar home and business loans, for mortgage credits and for cash credit on the basis of deposit and mortgage of real estate property with deposit 30 percent and 50 percent. The reduced interest rates for mortgage, home and business loans with euro clause are being applied since 31 January 2010.

According to contractors, depending on the location, the price of the location moves from 50 to 100 euros per square meter while the amount of land rates per square meter is around 100 euros. The state land that is offered by a public tender is even at a higher price.

-Last year, through a public tender we bought state land for 409 euros per square meter which directly increased the sale prices by 240 euros, says Vanco Cifiganec, who is building on state land.

The neighboring countries have already subsidized the first buying of an apartment in order to stimulate constructions and the sale of apartments, but in Macedonia, the benefits from the reduced VAT was mainly taken advantage of by construction firms. If the Government is considering any subsidizing of building and of the turnover of apartments, this time, the benefits should be directed towards all citizens, equally and not selectively, says Mirko

Tripunovski. From mid 2009, the price of apartments has increased on average from 25 to 30 percent. At the moment, in settlement Aerodrom, a square meter costs from 1,000 to 1,100 euros while

in settlements Novo Lisice and Kisela Voda from 950 to 1,000 euros. In settlement Gorce Petrov, 850 to 950 euros are required for one square meter.

FASHION GROUP TO BUILD SHOPPING CENTER

The municipality of Karpos issued an initial consent for building blocks of apartments and a shopping center at the location next to the gym Partizan in the Skopje neighborhood of Karpos 4.

"It is a lot of 32,000 sq. meters and the investor is Fashion Group. A shopping center and two blocks of apartments will be built there," said Violeta Cvetkovska, spokeswoman for the municipality of Karpos.

Fashion Group said they would reveal more details of the investment soon. The municipal au-

thorities say that they will issue the building license soon and construction works will begin in March. The project should be over in six years.

The location has been attractive since 2005. Delta of Serbia wanted to build a super market.

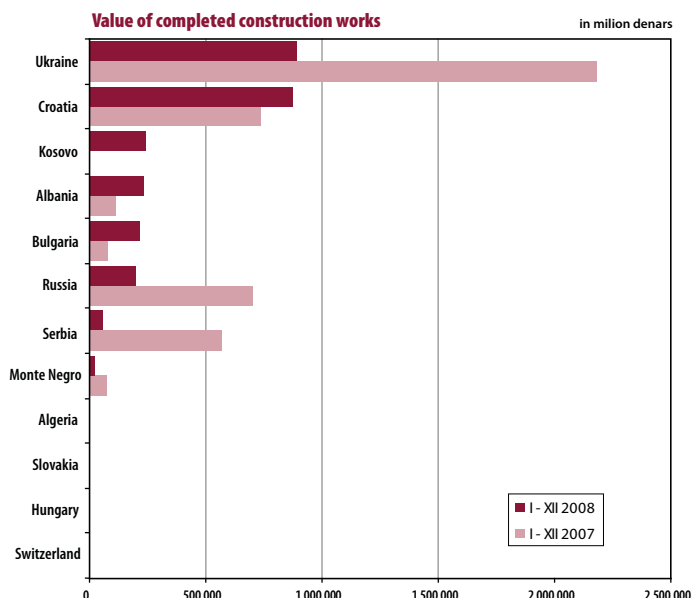
According to the project of Fashion Group, the shopping center will have four movie theaters, fitness centers, a hyper market, a storey garage and the rest will be rented as students' and pensioners' centers.

GRANIT TO BUILD HIGHWAY IN POLAND OF EUR125 MN

The building firm Granit signed a deal with the office for roads and highways of Poland for building a 20.8 km long highway of 125 million euros. Granit is going to realize the deal in consortium with the firm NDI SA of Poland.

With the signing of this deal, the value of the projects in which the Macedonian building firm was engaged last year reached over

280 million euros. In March last year Granit and the Ministry of Education signed a deal for building 145 school gyms of some 70 million euros. This building firm is working also on the construction of the administration building that will house the state archive, the Constitutional Court and the archaeological museum of some 24 million euros.



MOBILE OPERATORS DISLIKE COMPETITION

The three operators say that in a market of 2 million people, having a fourth operator is not sustainable. In their view, the market is 100 percent covered and the phone rates are some of Europe's lowest.

In circumstances when the third operator in the mobile telephony owns merely 13.58 percent of the telecommunications market, the Government recommended the Agency for Electronic Communications to announce a tender for the fourth operator. The three operators say that in a market of 2 million people, having a fourth operator is not sustainable. In their view, the market is 100 percent covered and the phone rates are some of Europe's lowest.

"If someone believes that there is a justified economic interest, we welcome the competition. However, experience shows that three operators are enough," said Viktor Donevski, communication director at One. One regards competition as motivating provided it is fair.

"We don't believe that the decision for a fourth mobile operator draws upon a previously made analysis of the market although practice shows something else,"

One officials said.

The Agency for Electronic Communications says the Government's initiative is a response to the citizens' demand and a result of a previously conducted opinion poll.

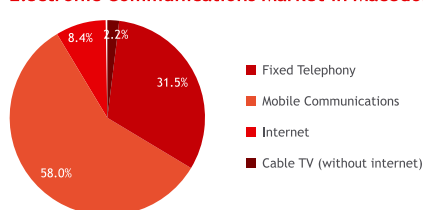
"The question of whether there will be a new mobile operator depends primarily on the investors and not the Agency or the state, or the three participants in the mobile telephony market," Marjan Pejovski, spokesman for the Agency for Electronic Communications, said.

"The end beneficiaries said they wished to see an offer from a fourth mobile operator and if it offered a lower rate it would be a good enough reason for them to switch operators," said Vaska Petrovik, a representative of the Agency.

The government recommendation for announcing a tender for a fourth mobile telephony operator is the second. The first tender announced two years ago failed.

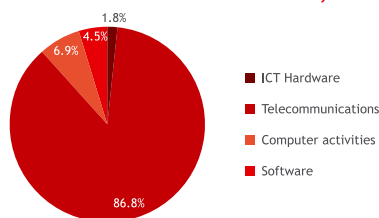
Most citizens would switch to a new operator if it offers cheaper calls. There was an attempt to establish a new operator previously, too. The Agency for Electronic Communications sent letters to all major mobile telephony companies in the world, but none showed interest to invest in Macedonia.

Structure of the Electronic Communications Market in Macedonia



Source: Agency for Electronic Communications of the Republic of Macedonia, 2008

FDI in the ICT Sector in Macedonia, 2004-2008



Source: National Bank of the Republic of Macedonia

"Macedonia is a very small market to have a fourth mobile telephony operator. The experience shows that even more developed telecommunications market have three operators," Vladimir Nikolic, manager for regulation issues at VIP explains.

The effort should focus on further market liberalization with the extant operators and regulation support to ensure lasting competition, VIP officials say.

"We are prepared for new competition if the Agency for Electronic Communications holds that there is room for growth in the present market conditions," T-Mobile says. "The rates are some of the lowest in Europe," Mile Bosnjakovski, director for communications at T-Mobile, adds.

BIGGER COMPETITION FOR CHEAPER PHONE RATES

The Macedonian citizens will be able to learn more about the latest achievements in the telecommunication field in April when the European telecommunication elite gathers in Skopje at the second Balkan conference, at which representatives of over 200 companies are going to debate.

Macedonia is moving ahead at a fast rate in the area of telecommunications. However, the biggest concern is the expensive services, says Jos Huizer, a prominent expert from the institute for development of telecommunications SCTE, who has been analyzing this sector in the Balkans for a long time.

In a time when demand in telecom services rises, he recommends fiercer competition to drive down rates and make services available for all citizens especially in the area of telephony.

"I am Dutch and we are very sensitive when it comes to prices and so it would be excellent to have fiercer competition in the Balkans in general. Prices would then fall and demand would climb up.

"I use Skype despite having fixed and mobile phones, considering how expensive to talk with The Netherlands on mobile from here is. The roaming is too costly and therefore I use Skype whenever I can. However, companies will not cut prices if there is no pressure from the competition and the regulatory bodies," Mr. Huizer said.

The struggle for clients with prices in the Balkans has long been overcome in the Western countries, the Dutch expert explained.

The race for customers there is won by those offering better services. The telecom giants keep modernizing their networks and the latest trends are directed to bigger support for the Internet as a tool of the future in the field of communications alongside the cell phone.

"The international industries are looking for innovations to expand their data through the extant networks or to change the networks and raise their capacity. We have become mobile, we want to stay connected and for that we need a mobile network. However, every mobile network needs also a fixed network to function.

"The future rests with integration of services. Over the next years, the Internet will be the driving force of all services. We are going to watch TV on our computers, and communicate and share information through the Internet," Huizer added.

The Macedonian citizens will be able to learn more about the latest achievements in the telecommunication field in April when the European telecommunication elite gathers in Skopje at the second Balkan conference, at which representatives of over 200 companies are going to debate.

FREQUENTLY ASKED QUESTIONS

What is the cost for telephone installation?

Initial connection fee for a standard (PSTN) line: ~ €10
Initial connection fee for a digital (ISDN 2) line: ~ €20

What is the price per minute for international phone calls?

Pricing varies according to the country dialed. Some examples are: An alternative when making international calls are the international pre-paid calling cards, which are somewhat cheaper.

Skopje	1.07
Bitola	0.43
Stip	0.99
Ohrid	1.10
Kriva Palanka	0.45
Gostivar	0.64

HOTELIERS APPEAL THE TOURISM TO BE AN EXPORT BRANCH

The increased interest of foreign tourists in visiting the country will automatically have an impact on the profit in the trade, restaurants and coffee bars will be filled, more souvenirs will be sold and everybody connected to the catering business will gain from this.

If the proposal of hoteliers is adopted - the tourism to be declared an export branch, it will have a positive influence over the increase of the competitiveness of this branch. For some time now, people from this business appeal the tourism to be an export branch so that services can get cheaper and to attract more tourists. The demand is realistic if one knows that this branch take part with a large percent in GDP's structure too. Namely, from 2003 to 2007, the participation of the sector services (hotels, restaurants, trade) in GDP moved from 43.9 (2003) to 45.7 percent (2007). The Hotel Association of Macedonia (HOTAM) estimates that with this measure they will be able to recover 18 percent from the added value tax, which will increase the interest for the domestic tourism in the region. On the other hand, the Ministry of Economy says that HOTAM requested to officially submit their initiative, and after this, as soon as they make an analysis, they will notify the Government to pass a suitable decision.

If the tourism gets treated like an export branch, it can alleviate the country's trade deficit, which from January to December 2009, amounted to more than 2, 3 billion dollars. The number of tourists in November 2009 compared to November 2008 is reduced by 9.3% while the number of all-night passes is reduced by 2.4%. According to data from the State Statistical Office, the number of tourists in November 2009 totaled 28,191 while the number of all-night passes totaled 63,648. Compared to November 2008, the number of domestic tourists in November 2009 is reduced by 9.8% while the number of foreign tourists is reduced by 8.8%.

"We demand the tourism to be declared an export activity with which all legal subjects that

collaborate with the turoperators and that conclude contracts with foreign countries will be able to recover VAT money. In this way, the prices of the package-arrangements for foreigners will be reduced and Macedonia's tourism will be more competitive," stressed Donco Tanevski, president of the Hotel Association. According to Tanevski, they will only have the right of VAT in cases when reservations in hotels will be made from abroad and this transaction will be carried out through the National Bank of the Republic of Macedonia (NBRM). Foreigners that will directly come to a hotel and rent a room will not get discounts as well as domestic tourists that will pay in the same way as up to now. Restaurants, coffee bars and other hoteliers and tourism workers will not be able to return their VAT unless they have made a reservation from abroad and their transaction was paid in foreign currency through a bank, with which the transaction would be controlled by the state, HOTAM explains.

The Ministry of Economy says that at the recent meeting between Economy Minister Fatmir Besimi and representatives of HOTAM the issue on reducing VAT in tourism was not opened. Other initiatives of HOTAM were discussed on the meeting among which the idea on declaring tourism an export-oriented branch, says the Ministry of Economy.

Macedonian media write that, unofficially, the tourism will become an export branch before the start of this tourist season, while the true acquisitions and the increased interest of foreigners for the domestic tourism is expected to be felt in 2011. Hoteliers announce that if the interest for summer vacation is to grow, the prices are to be reduced for domestic tourists and the prices

in restaurants, coffee bars and other branches connected to the tourism.

The increased interest of foreign tourists in visiting the country will automatically have an impact on the profit in the trade, restaurants and coffee bars will be filled, more souvenirs will be sold and everybody connected to the catering business will gain from this. However, on the other hand, the

increased flow of tourists can increase prices of accommodation, as well as prices of food, beverages and other products as seen each year in our touristic centers. Countries of the region, in their touristic offer, offer attractive package-arrangements with low prices that attract a large number of tourists, while Macedonia's summer and winter centers are mostly just visited by domestic tourists.

NEW YORK TIMES: VISIT OHRID IN 2010



New York Times has recommended Americans to visit Ohrid in 2010. The renowned newspaper compiled a list of 31 destinations the world over worth visiting this year, including Macedonia's pearl protected by UNESCO.

Only nine more European locations are included in the recommendation.

Described as a city of tradition and history, with one of the deepest lakes on the planet, according to New York Times, Ohrid is poised for greater international acclaim.

The paper briefly states that the city was founded in the Neolithic Age, that it has a church, monastery or mosque for every day of the year, each full of resplendent frescoes, mosaics and icons.

As more important, the paper focuses on the Churches of St. Clement and St. Panteleimon at Plaosnik, depicted as an epic Byzantine masterpiece, as well as the 13th-century Church of St. John of Kaneo, described as "a limestone and brick monastery that juts out over transparent blue waters."

New York Times says that the Macedonian government invest-

ed in archaeological excavations around the lake that resulted into unearthing treasures, such as the 5th-century tombs. It also mentions the Museum on Water opened in 2008, a re-created Bronze Age village built on stilts incorporating Ohrid artifacts.

As another reason why Americans should come to Ohrid, New York Times mentions the plans for investment of an estimated \$50 million in renovation of the Ohrid Airport in 2010, as well as the plans for building up to six new luxury hotels, including a \$33 million property with construction scheduled to begin in March.

The Ohrid beaches are described as modern, upgraded with swank bars and dining spots.

The recommendation from New York Times to visit Ohrid is the second big opportunity for Americans to hear about the Macedonian ancient city. Previously, as part of the campaign for Macedonia's tourism promotion, a video spot about the beauty of Ohrid was shot and aired on the US TV channel CNN.

