

ECONOMIES OF THE REGION

Selami Xhepa
Diana Shtylla*

Keywords

- Macedonia - Macroeconomic situation - National Bank of Macedonia - Kosovo
- Kosovo economy -

The recent day subject in Albania is concluding free trade agreements with the countries of the region. Without endeavouring to analyze the positive or the negative aspects of this process, one thing is obviously clear: the application of these agreements will lead to growing economic integration of the region. Besides benefits, the integration also increases the risk of transmitting economic or political problems of one or some countries in the region to the Albanian economy. At the same time integration creates new market spaces "to be conquered" by Albanian businesspersons as well. This process makes necessary the prudent pursuit of economic development in the region.

This paper analyzes the likely effects of FYROM crisis on the Albanian economy and the opportunities provided by Kosovo economy.

FYROM CRISIS

1. BACKGROUND OF EVENTS

The crisis of our neighbour country, that is FYROM, started at end February 2001 and is still going on. The political crisis' solution in this country still seems very unclear. FYROM government is ever more searching to find solutions for the

political crisis, establishing a dialogue with the Albanian factor. This has been the essence of all messages transmitted during the frequent visits of high American and European officials to this country as well as the high level meetings of the EU in Gothenburg. However, until now, it seems that both ethnic communities continue to deepen their division.

FYROM developments have remained in the framework of an internal political crisis, without causing any economic turbulence even for FYROM, itself¹.

2. FYROM MACROECONOMIC SITUATION, AND CURRENT YEAR FORECASTS

According to official reports² for 2000, FYROM recorded progress in the area of consumer price stability. Measured by the living cost (as agreed in the FYROM arrangement with the IMF), inflation recorded an annual rate of 6.1 percent. However, this indicator was higher than in the previous years and its effect was mainly a result of:

- Introduction of VAT (whose effect is given once);
- Rise in oil price (FYROM is net importer of power resources)
- Rise of prices controlled by the state (public services).

However, consumer price stability is considered a successful achievement in the sense that core factors generating inflation such as: the monetary policy, fiscal policies and exchange rate and the formation of wages have been under control. For 2001, inflation rate is forecasted to be less than 1.2 percent.

The monetary policy of the National Bank of Macedonia has as its anchor the maintaining of the domestic currency stability within the target ratio of Dinar 31 per DEM 1.

The maintaining of this exchange rate is the established objective for the current year. Its net international assets at the

end of 2000 reached at USD 713.6 million (with an annual growth of USD 235.5 million only for the past year).

Upon the removal of credit ceiling, the National Bank of Macedonia shifted exclusively to the application of indirect instruments of monetary policy.

External debt as at September 30, 2000 was USD 1,400.8 million, while the short-term debt of private sector was USD 42.9 million. The external debt was estimated at 42 percent of GDP (a country with a moderate to average debt level).

3. CRISIS AND ECONOMY

Until now there is no evidence that the political crisis and the military operations have caused any rupture of economic balances in the country. FYROM is still included in IMF economic programs expected to be transformed in the paper of the Strategy on Poverty Reduction and Growth Facility.

The crisis may give its effects on the delay of economic reforms, such as the consolidation of the banking system, (merger of small local banks), closure of loss-generating economic units (4 such ones are planned to close down during this year, out of the list of 40 such enterprises).

About DEM 1 billion estimated as household savings of the population is not channelled through the banking system³. On the other hand, the rate of the monetary exchange is among the highest in this country⁴.

In consequence, we do not think that any significant shocks may occur in the monetary policies at least for the present (the exchange rate of domestic currency against the DEM is within the annual target set by NBM). Until now, it seems unlikely that military operations have considerable effects on FYROM finances.

Press reports have cited statements of the Minister of Finance that FYROM has the monetary assets⁵ to purchase new armaments, while it is already a well-known fact to the media that much armaments are given free of charge by such countries as Ukraine, Bulgaria and Greece.

FYROM foreign aids⁶ declared until now are expected to be at USD 17 million military aids and about 38 million financing to the economy. Other financings are expected to be given in the framework of the Stabilization and Association Agreement with the EU, signed on April 9, 2001.

4. ALBANIA – FYROM ECONOMIC RELATIONS

Concerning the crisis' diffusive channels from one country to another, the literature evidences two of them as the most important: financial and trade relations.

Traditionally, throughout the whole transition decade, the economic and trade relations between both countries have maintained very low levels, which may be regarded as negligible. FYROM market has occupied the average of 2 percent in imports and 2.7 percent in exports. This is accompanied with a constant falling tendency for years 1994-1999. (See table 1). From this viewpoint, it can not be thought of any significant influence.

Table 1 Albania's foreign trade with FYROM (in millions of USD)

Years	Import	Export	Total imports	Total exports	Ratio to the total in %	
					Imports	Exports
1994	14.5	6.6	601	141.4	2.4	4.7
1995	16.5	8.0	679.8	204.8	2.4	3.9
1996	19.5	5.6	922	243.7	2.1	2.3
1997	13.2	3.8	693.5	158.6	1.9	2.4
1998	11.3	3.1	811.7	208	1.4	1.5
1999	17.4	4.2	937.9	275.1	1.9	1.5
Average					2.0	2.7

On the other hand, no financial relations exist between both countries. We do not have relations of mutual financial liabilities

between us, so that they might affect any change in the interest or exchange rates. There is no evidence for individual savings of Albanians to be listed under Scope Stock Exchange securities that would be also affected by the changes of domestic monetary and economic circumstances.

An evidenced relation in service area consists mainly in goods transition toward Kosovo. According to talks with customs specialists, in the days of closing borders between FYROM-Kosovo, transition flows that increased in our country might have caused an increase in budget revenues just because of this factor. However, the scale of its operating effect is still insignificant. Closing borders operated within a short-period of time and they are actually re-opened. Moreover, closing borders might have resulted in an increased fiscal evasion in our country, through transiting frauds, while goods may have stayed in Albania, avoiding the payment of fiscal duties⁷.

Another probable effect on our public finances would be coping with the emigration of Albanian population from FYROM to our country.

Even in this case, no significant development has been highlighted.

Even that small number of emigrants who passed through Albanian borders, has been in transit, having as destination other countries, such as Kosovo and Turkey. We think that even in the case of a larger deterioration of FYROM situation (the most pessimistic scenario), the budgetary charge to maintain a large number of emigrants would not result at unaffordable rates, considering their preferences to mostly emigrate in countries where they have their relatives (Kosovo, Turkey or other Western countries).

From all evidences there can not be drawn any parallel with Kosovo crisis.

A SHORT OVERVIEW ON KOSOVO

NATURE AND GEOGRAPHIC POSITION

Kosovo covers an area of 10,877 km² and a population of 2.3 million inhabitants and it lies in the central part of the Balkan Peninsula. Besides its favourable geographic position, Kosovo has significant resources above and under the ground, an adequate climate and miscellaneous flora and fauna. Its core natural resource is its cultivated area. Amongst water riches, there must be mentioned its thermal resources, whereas coal reserves, used as power resource, are estimated at 11.5 billion ton. Kosovo is very rich in bauxite tint metals, lead, zinc and nickel ores.

PRIOR TO CONFLICT ECONOMY

In the post World War II, Kosovo, in the framework of the Socialist Federative Republic of Yugoslavia, mainly represented a rural economy. The economic transformation made under the structure of central planning brought about industrialization and development of extracting industry. Thanks to the financing ensured from a national investment fund, Kosovo's economic activity during 70-80s extended and developed mainly in extracting industry, the production of raw material and half prepared products (steel, coal, zinc and textiles); However, agriculture continued to remain important. Mid '90s brought about a deterioration of the economic situation as a result of the misadministration of resources.

In this period, the investment in most profitable sectors of the economy shrunk up considerably and unemployment reached high figures. Industrial sector was either state-owned or under social ownership (with enterprises owned by the workers) and banks' lending was based on political motives. The ethnic discrimination appeared even in economy, where industrial sector employees, especially in key positions were of Serbian entity, while the Albanian population was forced to

either engage in informal economy, in agriculture or emigrate. During this period, there were established parallel systems of education, health care and social benefits financed by emigrant remittances of Kosovo, and a parallel tax system.

CURRENT ECONOMY

It seems that Kosovo economy is making efforts to get out of the circumstance created over the two previous decades and cope with the heavy consequences left behind by the conflict of 1999. The economy has found fundamental support in domestic enterprises that have been and are being strongly assisted by foreign donors.

Donors' assistance together with the domestic savings and fund inflows from abroad are actually holding the main burden of Kosovo's economic recovery.

These funds, upon the termination of conflict, were mobilized to reactivate the rural sector or to start the repair of houses, of water and power supply network. To ensure the consumer price stability at the lack of a domestic currency, it was decided to legalize the use of German currency (DEM). Parallel to this, it was offered assistance to establish a payments and banking system of Kosovo. To the first half of 2000, agriculture is believed to have reached at 75 percent of the before war level. Construction appears as the most active activity, followed by some private services, as restaurants, hotels or shops. The foreign trade activity is dominated by imports, representing 85 percent of GDP. As observed from the table below, GDP per capita is estimated at USD 750, while expenditures amount at USD 1,125 per capita.

The large difference between income and consumption per capita is filled by emigrant remittances of Kosovo, which for year 2000 amounted to 40 percent of GDP. That amount is nearly 1.3 times higher than emigrant remittances sent to Albania in the same year.

The following table displays the levels of some core macroeconomic indicators for Kosovo and Albania in 2000. The figures for imports are particularly high for both countries.

Core macroeconomic indicators	Albania (2000)	Kosovo (2000)
GDP	3,734 mil USD	1,421 mil USD
GDP per capita	1,131 USD	750 USD
Fiscal balance	- 399 mil USD*	-103.7 mil USD
Trade balance	-814.3 mil USD	-1,203 mil USD
Import	1070.1 mil USD	1,203 mil USD
Export	255.8 mil USD	--
Current account	-151.8 mil USD	-487 mil USD
Individual transfers	438.6 mil USD	569 mil USD
Official transfers	94.4 mil USD	147.8 mil USD

Source: Year 1999, lacking data for 2000.

KOSOVO STATEMENT OF CURRENT INVESTMENT AND ONGOING PROSPECTS

Despite the attention paid by international authorities, Kosovo economy is undergoing a hard situation. The current economy suffers from the lack of foreign and domestic investments. Concerning causes justifying the lack of foreign investments in Kosovo, we may rank the difficult transition, the lack of laws and the risk of other conflict spots in the vicinity areas. Foreign media, frequently, make unreal reflections on the country situation, which paralyzes investors' willingness or initiative to enter Kosovo's market. The intervention of "Alcatel" corporation in Kosovo's fixed phone network was welcomed by the Albanian public opinion, reviving the hope for the arrival of foreign economic giants, which for the moment, seems to have been left in the shadow.

As far as Albania's investments from businesspersons to Kosovo are concerned, these are still limited in the small business field of restaurants, pizza shops and trade activity. Albanian investors still remain insecure to extend their activity in the sphere of industry. These investors also face a certain resistance from Kosovo market, which prefers cheap commodities from East to the more expensive goods arriving from Albania. The following summary comprises a disclosure on Kosovo's economic sectors where the displayed feasibility to generate small and mid-size enterprises

(SME) is according to a performed study in 1998. Although, this study was undertaken during the pre-conflict period, it is supposed that these developments have been very insignificant or absent in the recent two years. For this reason, Kosovo's domestic economy is still assessed as having need for recovery and exploitation of these potentialities that have much to offer. The Transitory Credit Unit established by the European Agency for Reconstruction (EAR) aims at helping SMEs. Other credit funds to support pilot projects are ensured by the World Bank, the EAR and the EBRD. Below, there are presented economy sectors deemed as interesting for investments.

RURAL BUSINESS

Rural business is ranked the first in the conducted study. The need for food articles is particularly emphasised after the 1999 situation, which is expressed in the highly imported foodstuffs from Kosovo. Owing to the development of individual economies and the existence of small rural areas, farms are considered as bearers of rural business activity. It is estimated that from common investments or those arriving from Kosovo Albanians living abroad, there may be realized programs from USD 8,000 to 100,000 providing profit rates up to 30 percent, as the principal investment may be paid within 2 or 3 years. Some of the following programs considered as fit for investments consist in milk processing industry, paste, meat, beer and honey prepared products, tinned fruit and vegetable, small slaughter-houses, running animal farms of cattle, chicken, sheep, goats, pigs, wild poultry and packet foodstuffs. From the assessment of post-war opportunities opened to Kosovo, this country may turn into an exporter of agro-business goods and of rural processed foodstuffs to EU countries in the future.

INDUSTRY

Industry or manufacturing presents a broad spectrum of Kosovo activities and over 20 percent of population are accounted to engage in it. This sector, comprised of public and

private enterprises, seems to have small capacities. To develop this sector of economy, the Department for Trade and Industry at UNMIK announced 10 enterprise tenders during 2000.

Industry may be treated in 3 main lines, processing industry, metal processing industry and the traditional industry.

- a. The current data on the development of Kosovo's *processing industry* and their comparison to more developed countries indicate that Kosovo is characterized by a low level of the processing industry. To the early '90s, Kosovo has been able to produce chemical fertilizers, alcoholic and non-alcoholic drinks, cement and some metal and rubber products to partly meet the export needs. Although initially the processing industry was regarded as a large capacity industry, it has already started to be viewed as an industry varying from small to average capacities, in compliance with the technical and technological developments that have taken place in the world. Excluding the above products, which are no more produced, the processing industry needs to be expanded with other products like chemicals, medicine, pharmaceutical raw material; fats and oils; colours, polish products and other pigments; oil refined and wood processed products; plastic materials, rubber, wood, cellulose, cardboard, etc.
- b. Metal processing industry must be based on the stimulation of small and medium-size enterprises, using the comparative priorities of individual supply of raw materials and the experience gained over many years. Kosovo is mainly rich in lead, zinc, cadmium, bismuth, silver, iron-nickel ores, etc.

Knowing that European largest producers have high demands for industrialized products from this industry, it is deemed that the Kosovo's industry may aim at meeting these requirements in the future, besides the partial or complete fulfilment of the country's needs for such products.

Kosovo's industrial infrastructure in the past has been satisfactory. Meantime, it is actually aimed to give priority

to the rehabilitation and regeneration of this infrastructure, exhausted from use in the recent decade. Small and medium-size enterprises are regarded as units which, upon starting operation in extracting industry, with modest investments and limited labour forces, may make use of the above-mentioned metals to produce half-prepared or final products.

To have initial production from lead, zinc, bismuth, and cadmium, an elementary condition to be met is installing a small electrical-inductive furnace of 20 KW capacity.

- c. Kosovo's traditional industry is expected to be based on the production of soap, washing detergents, package paper, glass industry, and porcelain and ceramic products, pharmaceuticals etc. Special emphasis must be laid on regenerating the Kosovo's traditional industries, such as textiles, wood processing and building materials industry, which have ensured high quality products in the past.

CONSTRUCTION

Construction has assumed a special importance in the last years, since the needs for re-constructing the destroyed or abandoned houses or buildings during the armed conflict have been large, indeed.

To the end of 2000, reconstruction investments are assessed to reach at half billion US dollars. According to an assessment made by the European Agency for Reconstruction, the domestic demand for building materials will continue to grow even for some other years in Kosovo.

Albania's contribution to Kosovo's reconstruction is materialized in the massive exports of wood, ensured from forests of Northern Albania. Feeling unsafe, construction firms or companies from Albania did not approach Kosovo, despite the large famine of the country to develop this activity. Kosovo actually recognizes the operation of 34 public enterprises and 95 private ones,

dealing with the production of tiles, bricks, cement, lime, wood processing for furniture, windows, doors, etc.

Also referring to the above study, Kosovo's small building enterprises may also be grouped into three different structures. The first type consists of enterprises, which have production, trade and projection of building material in their portfolios. Private enterprises exercising construction activity comprise the second type, that of mid-size business. If these enterprises attain the appropriate efficiency, they may increase their capacities.

The third type of small enterprises is believed to be created from the privatization and the restructuring of current social/state-owned enterprises. The three types of enterprise are thought to mostly contribute to the reconstruction of post-war Kosovo and will be extended in the following lines: execution of public works, including high and low buildings, handicrafts, maintenance and execution of specialized works (foundation-geo-techniques, assemblage, isolations, ruins, mining, etc.).

COMMUNICATION

Kosovo's communication assumes a special importance, considering disorders naturally arriving after the 1999 situation. The massive displacement of the population on reverse directions from inside and outside Kosovo, the goods transition and the massive access of international administration are phenomena that make necessary the arrangement of an efficient communication through road, railway, airline, post office, and RTV networks. SMEs of communication are expected to realize goods and passengers' transition, maintenance of traffic infrastructure and of transport vehicles, etc.

TOURISM

Kosovo's natural and cultural riches comprise its precious tourism resources. Kosovo has optimum conditions for the

development of winter – mountainous tourism, healing baths, hunting, sportive fishing and other water sports. Though left aside for the moment, tourism may be considered a source of income within a not-too-distant future. Of priority herewith will be the rehabilitation of existing centres and the construction of new ones for massive tourism (mainly in Brezovica and Decan localities). Confirming tourism in fishing and hunting sports, the expansion of hotels and sportive centres and the re-designing of the “Boro and Ramiz” complex in Pristine, intending provision of possibilities for economic, sportive and cultural manifestation, comprise other priorities of tourism activity. Tourist agencies can play an important role in the revival of tourist activity in Kosovo, by expanding their activity from selling tickets to providing a qualitative tourist offer.

CONSULTANCY ACTIVITY

In view of carrying out consultancy activity in Kosovo, an almost total contraction has been noticed. The role of consultancy is viewed as strongly related to technological transfer, individual technical progress and exports perspective. Consultancy activity with regard to technological transfers within SMEs is viewed as concentrated in the pre-intensive stage of imported technology. The consultancy activity in this case consists in collecting respective data for different technology producers for a variety of products that will be produced at a given period. Taking into account the demands, this activity may be extended in the economic, financial and juridical sphere. Consultancy services are also very useful in the field of receiving loans from various international organizations, foreign creditors or in joint investments.

INFORMATION TECHNOLOGY

The generation of SMEs in information technology is viewed as closely connected with the trading of equipment, software, their instalment and software creation for business networks,

maintenance of networks and computerized education. The compilation of special respective software needed to various segments and the maintenance and provision of possibilities for their application comprise real and very favourable opportunities for the establishment of SMEs.

TRADE

Trade in Kosovo has had a dynamic development, mostly accentuated, in the two latest years. After the 1999's conflict, the Main Fiscal Authority operating in Kosovo, assessed as rational the setting up of a simple and neutral structure of the trade regime. This structure was deemed as suitable for stimulating economic growth on the side of private sector, accelerating construction and for providing suitable conditions for sound exports. Lacking administrative machinery that would realize collection of taxes on income and consumption, the UNMIK introduced the trade regime based on customs, as the main source of revenues for the local budget of Kosovo.

The main features of this trade regime consist in, first the introduction of a uniform customs duty of 10 percent and 15 percent on sales. This tariff structure was recommended because of its simplicity and the low applicable rate. At the same time, there were introduced and applied exemptions from customs duty for some rural and medical products; second, the foreign trade regime did not include non-tariff and quantitative restrictions; third, transparent and undiscriminating procedures of licensing and registering traders comprise a priority of the system.

As concerns trade development between Albania and Kosovo, it took a special leap in the recent two years, by being mainly materialized in exports from Albania. From the second half of 2000, Kosovo was ranked fourth amongst Albania's main trading partners. Taking into account the irregular condition of customs borders and the great "hunger" of Kosovo's market for basic foodstuffs, it is estimated that exports with this country must have been some times higher than the recorded figures. Exported

commodities initially pertained to foodstuffs' category (grains and articles thereof) water, machinery and equipment (mainly power supply generators) and products of press industry.

At early 2000, there was noticed a change of direction for these exports. In compliance with the gradual improvement of the living conditions and efforts for the economic recovery of Kosovo economy, Albania's exports, besides foodstuffs, are already being concentrated on miscellaneous articles (room furniture) as well as in fuels and mineral products. Goods inflow in the type of shuttle trade is estimated to be considerable during this period. During 2000 fuels and chemical industry products gradually replaced room furniture, occupying, till that moment, the largest share weight of Albanian exports to Kosovo.

The starting of operation of Pristine-Tirana airline and the opening of INSIG office in Pristine, as well as some other trade fairs opened for promoting these investments, relieved export activity. However, to turn into a strong trading partner of Kosovo compared to FYROM, Albania lacks many road and railway infrastructure facilities as well as sound marketing mechanisms.

Until now Albania is faced with an unfavourable situation in trade relations with Kosovo. Apart from high costs and difficulties of transport (missing the Durrës-Kukës road), Albanian exports to Kosovo are submitted to a considerable fiscal charge. Strong trade relations between FYROM and Kosovo, normal infrastructure and the trade agreement between the Former Republic of Yugoslavia and Macedonia, ensuring to the latter the preferable status in trade, made exports from Albania have difficulties in finding their way to Kosovo. The efforts of the Ministry for Economic Cooperation and Trade of Albania, which has started negotiations for concluding a Free Trade Agreement, comprise a positive development in this direction. Such a thing would further prevent customs barriers for Albanian exports to FYROM and Kosovo. On the other hand, the Albanian Government and the UNMIK have never started negotiations for reducing customs barriers between the two countries. The above mentioned difficulties constitute a strong reason for the spread

of illegal operations, apart of the high costs they bring to those businessmen regularly submitted to customs duties.

Another unit that is making efforts to strengthen business relations between Albanian and Kosovo traders is the Union of Trade and Industry Chambers of Albania. This union, in collaboration with the Economic Chamber of Kosovo has worked and is working to arrange some meetings between the parties, in order to create conditions for the organization of some bilateral fairs.

BANKING SYSTEM

To ensure banking development in Kosovo, in November 1999 the UNMIK approved two regulations that defined the establishment of Banking and Payments Authority of Kosovo and some licensing regulations for commercial banks, their control and supervision as well. The Banking and Payments Authority of Kosovo licenses and supervises all financial institutions, banks or non-banks operating in Kosovo, holds monetary reserve in DEM banknotes and coins and Yugoslav Dinar; ensures deposit and payment services in DEM until the necessary capacities are created in the banking system. Operating as a Bank of Government, the BPK takes deposits from UNMIK and other official agencies and makes payments based on the Main Fiscal Authority and other depositors' orders. Apart from safekeeping the currency for security reasons, the BPK has not supplied deposit and payment services to enterprises in order not to turn into a direct competitor of the banking system that is still at its first steps of development. Since Kosovo's need for establishing a bank network is large, conditions for new bank licensing are estimated to be at nearly 3-5 times less rigorous than those applied in the region. Licensing procedures require a grading of commercial bank permitted activities, according to capital. Banks having DEM 1 million as minimum capital are permitted to provide payment services and deposit-taking. Banks that require granting consumer or business loans must meet a required minimum of three times as that. Whereas, for

banks that require to develop portfolio management activities of trading debt or equity securities, the required capital is DEM 5 million.

Kosovo actually recognizes the operation of three commercial banks and 10 non-bank financial institutions. Commercial banks mainly deal with deposit taking and bank transfers, while their lending activity is less developed or not developed at all. The above-mentioned institutions, which are subordinate to the World Bank, the EBRD and the EAR, aiming at extending low interest loans, play the lending role for the moment. Some of these foundations extend loans at 7-12 percent rate, while it is attempted to create the conditions for providing small loans (DEM 2000- 5000, or USD 1000-2500) to rural enterprises. In this way, it seems that pre-conditions for a mere financial market and a somewhat triggering environment are almost established.

Another support to the whole region in general, and to Kosovo in particular, derives from the Stability Pact adopted in 1999. In this framework, it is aimed at encountering emergent problems arisen from Kosovo crisis, to later concentrate on promoting development and stability in the whole South - East Europe. With all deficiencies and problems it carries over, the attention paid by vigorous international organizations to the region must be appreciated and made use of in due time.

CONCLUSIONS

The above disclosure transmits contradictory messages, which on one hand reveal the non-so optimistic reality of Kosovo investments and economy and on the other hand, intend to raise the interest of investors and traders to use opportunities, and especially the high demands of the country in various areas of economy. Under these conditions, it is difficult to lessen or cover the numerous problems deriving from the current political status of Kosovo and the fatal shock the country encountered in 1999. However, it seems that it is just the time to consider the

situation from a less pessimistic viewpoint, and to accept that Kosovo has hope and potentiality to accomplish it.

Market economy is one thing and moral or political motives are another. Based merely on the economic viewpoint, it might be said that frequently some courage and initiative is needed to cast a glance where others rarely dare, but where profit opportunities are plenty. Another viewpoint, which in our case might be translated Albania's and Kosovo's integration through the economy or some of its branches, has to be tested, always after it is confirmed that the acting on the basis of personal interest of all parties has given its own fruits.

NOTES

* This paper was prepared and adjusted for publication by Dr. Selami Xhepa and Diana Shtylla, Research Department.

¹ At the time when this paper was written, there was no economic report or index to indicate episodic or other developments of any aggravated economic situation in this country. In addition, we lack the data on the domestic economic developments. Actually, we lack the data on commercial, budgetary, tourism and transit developments, etc. As a result, it would be difficult, at least until today, to make an accurate analysis on the likely effects.

² Speech of the Governor of the National Bank of FYROM held in the Parliament on February 2001.

³ Southeast Europe, EIS, February 2001.

⁴ See: Bishev "Monetary Policy in the Balkan Region", WP, NBRM.

⁵ Public finances recorded surplus in the previous year. It was mainly from the sale of Telecom shares. (51 percent of the shares were sold out for the cash amount of Euro 342 million and Euro 256 million was investments from Matav, Hungarian Company.) See: Southeast Europe, EIS, and February 2001.

⁶ The Guardian, April 2001.

⁷ The closing border must have been of more effect on Kosovo's economy, as the goods transition to Kosovo was carried through FYROM, which was due to the non-existence of customs barriers between them. Whereas, the applied customs tariff, in the case of goods transition through Kukes was 20 percent. These changes in the transition system must have given their effects even on the changing channels of the goods supply of the North-East area of our country (from Kosovo imports due to the lower prices) in their supply from Tirana. See: "Shekulli" newspaper, March 27, 2001.

REFERENCES

Department for Trade and Industry, Pamphlet.

Kosovo, the Federal Republic of Yugoslavia, Social Economic Reforms for peace and reconciliation, World Bank Report No.21784, February 2001.

Former Yugoslavian banks owe the Kosovars over USD 200 million, "Ekonomia" Newspaper, April 17, 2001.

Kosovo: Macroeconomic issues and fiscal stability, Corcer, R., Kostial, K., Rehm, D., IMF 2001.

Kosovo- the post-war asthmatic economy, Monitor, No. 8, March 2001.

FYROM elevates prices in Kosovo, "Ekonomia" Newspaper, March 27, 2001.

Albania-Kosovo: Integration through economy, Monitor, No.4, March 2001.

<http://www.kosova.com/RINVEST/rinvest.htm>, Research Development Institute, Kosovo.