

EXCHANGE OF GOODS BETWEEN MACEDONIA AND BULGARY

Abstract

Sovereign national economies are inviolable and autonomous right to regulate the combination of measures and instruments of its foreign - trading system in a way that most believe will contribute to the protection of strategic interests of the national economy and overall economic development. Moreover, they are still obliged to take into account the rights and legitimate interests of other actors in the international economy. Given the overall trends in international economy of general interest to the general economic progress and prosperity in the world and have a significant impact on the separate development and the welfare of everyone in the exchange, almost always the decisions and measures taken by certain entities have some impact on a group trading partners, but also the wider community.

Key words: trade, goods, import, export

INTRODUCTION

The subject of the paper is the progress and challenges for effective cooperation and exchange of goods and services between Macedonia and Bulgaria.

Foreign - trade system is one of the economic systems in one country. It governs the rules of conduct for local residents in the economic cooperation with foreign residents. In this respect can not speak for the narrower and wider interpretation of the term foreign - trading system.

The narrow interpretation, foreign - trade system is a system of measures and instruments governing the trade of the country abroad.

Constitution, as the highest legal act, Article 55 guarantees the freedom of the market and entrepreneurship, which defines the basics of the economic system. Economic prosperity, a country the size of Macedonia, can achieve only through integration into the global economy. It is achieved by inclusion in courses on international trade in goods and services, attracting foreign direct investment, use of modern technology, especially information technology. International trade, with foreign direct investment, will contribute to increasing the efficiency of economic growth by opening new, better paying jobs that will contribute to improving the living standards of citizens.

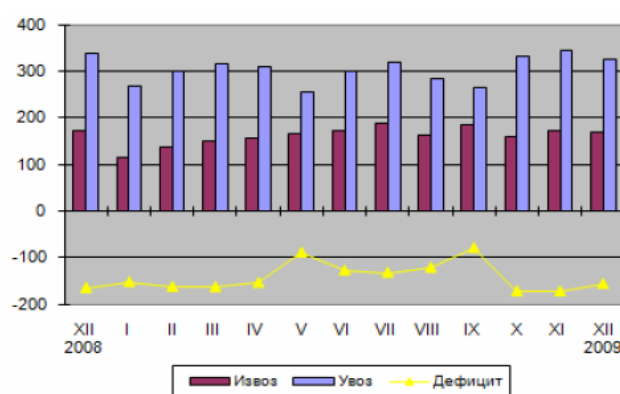
Hereinafter set out are important features of the existing foreign - trade regime of the Republic and foreign trade between Macedonia and Bulgaria.

COMPARATIVE ANALYSIS OF THE EXTERNAL SECTOR IN THE REPUBLIC OF MACEDONIA

External sector in 2009 RM

In 2009 total foreign trade (in euros) fell 24.4%. The physical volume of exports fell by 21% and its value reached 1.192,5 million, a decline of 28.4%. Reducing amount import of goods is 11% and its value amounting to 3,615.8 million euros, or a decrease of 22.1%. This is primarily because of significant annual decline of imports by exports of goods in the analyzed period, leading to a reduction of the negative trade balance gap of 13.5% (263.7 million) on an annual basis and it is 1690, 5 million euros, representing 25.8% of estimated GDP for 2009.

Chart 1: Foreign trade in Macedonia (in million)



Source: Bulletin, Ministry of Finance in Macedonia Skopje, December 2009, pp. 5

Analyzed by category, the trade deficit in 2009 largely due to a lower deficit in the exchange of electricity with a contribution of 56.5%, oil and oil products 43.4%, road vehicles and another 31%.

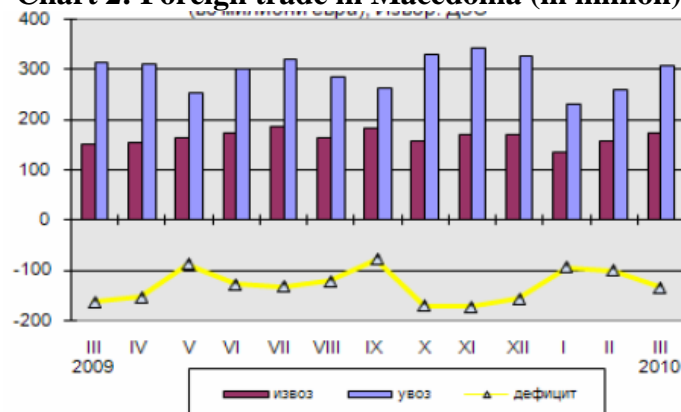
Acted in the opposite direction reduced the exchange surpluses in our main export products, or lower surplus of exports: iron and steel and products thereof for 196.4 million euros, clothing and textiles to 58.2 million, Other transport equipment 41 2 million, medical and pharmaceutical products 15.6 million and more.

Main groups of products (according SMTK) with major participation in exports in 2009 are: clothing 21.7%, iron and steel by 19.8%, beverages and tobacco 7.3%, oil and oil products 7.1 %, fruits and vegetables 5.3% and metal ores and metal waste 4.8%. These six product groups make up 66% of the total exports of country.

External sector of the RM in 2010

In the first quarter of 2010 the total foreign trade (in euros) fell by only 1.3% compared to the same period last year. The physical volume of exports has dropped by only 1.8%, and its value amounts to 465.1 million euros, representing a significant growth of 15.9%. Reducing the amount of imported goods is 17.2%, and their worth 797.2 million euros is less than 9.2%.

Chart 2: Foreign trade in Macedonia (in million)



Source: Bulletin, Ministry of Finance in Macedonia Skopje, may 2010, pp. 5

When such movements in exports and imports of goods, the deficit in exchange realized in the first quarter this year is 332 million euros, representing 30.3% per year (144.3 million), the largest contribution to growth has a positive balance in an exchange with iron and steel. Coverage of imports by exports in the first three months is 58.3%, which annually presents a significant positive change of 12.7 percentage points.

The main product groups (according SMTK) with major participation in exports during this period are: clothing 22.2%, iron and steel 21.8%, metal ores and metal waste 8.3%, beverages and tobacco 6.8%, oil Petroleum and products 6.5% and fruit and vegetables 3.5%. These six product groups make up 69% of total exports of the country.

MODE FRONT TRADE OF GOODS INTO THE REPUBLIC OF MACEDONIA WITHIN THE BILATERAL FREE TRADE AGREEMENTS

Because of the small and limited domestic market, the Macedonian producers were not able to provide cost-effective production, that economy of scale in almost any kind of industrial production is oriented only to meet domestic needs.

Macedonia proves that adequate economic capacity has to be accepted as an equal trading partner. And yet, even in the harshest periods of political and economic blockades that were imposed outside, more than 80% of Macedonia's gross domestic product was created through trade with foreign countries.

Table 1: Openness of the Macedonian economy abroad (in billion)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Trade (U.S. \$ billion)	3.23	2.97	3.42	2.84	3.07	3.66	4.58	5.34	6.16	8.58	10.75
Participation in the GDP ¹ (%)	90.07%	80.77%	95.22%	82.71%	81.58%	79.10%	85.26%	91.77%	96.71%	108.50%	112.94%

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 24

PRICE AND INCOME ELASTICITY OF EXPORT AND IMPORT OF THE REPUBLIC AND ECONOMIC GROWTH

Setting a price and income elasticity of imports and exports of the Republic of Macedonia is the primary objective of the analysis. The assessment of elasticity trade is based on the most used modern procedures to evaluate relationship between variables, or ARDL model. The findings of the selected ADRL models (equations for imports and exports) suggest the existence of long-term relationship of exports and imports on the one hand with income and prices, on the other side. Moreover, in the Republic of Macedonia there is a high elasticity of imports to changes in domestic income and relatively significant elasticity of exports to changes in world income. Assessed price elasticity is smaller, the lion sensitivity of importing price variations in the sensitivity of exports. This leads to the conclusion that the domestic economic entities are susceptible to changes prices by foreign entities, while higher snap elasticity of imports than exports indicates deterioration in the trade balance. The practical application of assessment income elasticity of imports in the model for economic growth of Thirlwall showed that the growth rate of the Macedonian economy is significantly determined by the balance-lane restrictions, ie the rate of growth of exports and high snap elasticity of imports².

Sensitivity of demand for imports, depending on changes in domestic income and relative prices also has significant implications for economic movements. As stated Sinha (2001), in terms of growth of income of the importer, the demand for imports will increase significantly if income elasticity of imports is high, which will reflect a worsening trade balance. However, if the growth of domestic income and increase domestic production, then imports can be reduced. In terms of prices, higher domestic than foreign prices are expected to affect at reducing the quantities of imported products³.

In accordance with the above we can conclude that the sensitivity assessment of imports and exports to changes in prices and income is an important aspect in setting macroeconomic policy. Integrating elasticity in current macroeconomic policies stems from the need to assess their effects on fiscal and monetary policies, the policies that affect the balance of payments of the country (such as exchange rate policies, customs, benefit), the

¹ The data for GDP (million U.S. dollars) are taken from the Ministry of Finance of the Republic. Macedonia

² National Bank of the Republic Directorate for Research, and income price elasticity of exports and imports of the Republic and economic growth, May 2007

³ Ibid

effect of restrictions on external balance on domain measures, the international transmission of changes in economic activity and prices and the effects on employment of changes in domestic and trade restrictions on partner countries⁴.

FRONT – TRADE OF THE REPUBLIC OF MACEDONIA WITH REPUBLIC OF BULGARIA

Volume of trade exchange in 2009

The total trade of the Republic of Macedonia with Bulgaria in the period January-December 2009 amounted to 459.6 million, which is realized exports worth 216.9 million dollars, while import balance is 242.6 million U.S. dollars. The trade deficit in 2009 is 25.7 million dollars. R. Bulgaria is the sixth largest trading partner of the Republic. Macedonia in 2009.

Table 2: Trade of Macedonia with Bulgaria

Name of country	Export		Import		Total	Balance
	Quantity in kg	Amount in \$ USA	Quantity in kg	Amount in \$ USA	Amount in \$ USA	Amount in \$ USA
Bulgaria	385.295.493	216.952.987	469.725.396	242.634.677	459.587.664	-25.681.690

Source: Republic of Macedonia - Republic of Bulgaria, the Macedonian Chamber of Commerce, Directorate for International Cooperation, Promotion and information to members, April 2010

Comparative statistical analysis showed that the volume of trade with Bulgaria in 2009 had a decline of \$ 244 million which is 34.7 percent lower than the volume of exchange in 2008.

Comparative analysis of trade for the period 2008/2009

Regarding the representation of products in exchange, in 2008, the structure of exports mostly included⁵:

- Food products worth U.S. \$ 10 million
- Tobacco - U.S. \$ 30 million
- zinc ores and concentrates - \$ 20.6 million
- Products and wires of iron and steel - \$ 14.5 million
- Finished textile products and clothing worth \$ 5.3 million

The largest import balance participation have:

- foodstuffs \$ 16.9 million
- petroleum oils, bitumen and paraffin - \$ 24.5 million
- Electricity - \$ 11.5 million
- raw wood - \$ 9.6 million
- Hot and cold rolled and other products of iron and steel - U.S. \$ 28 million

⁴ Ibid

⁵ Macedonia - Republic of Bulgaria, the Macedonian Chamber of Commerce, Directorate for International Cooperation, Promotion and information to members, April 2010

Table 3: Comparative analysis of trade for the period 2008/2009

Total exchange			Export			Import		
2008	2009	index	2008	2009	index	2008	2009	index
703.714.751	459.587.664	65,3	376.640.864	216.952.987	57,6	327.073.887	242.434.677	74,2

Source: Republic of Macedonia - Republic of Bulgaria, the Macedonian Chamber of Commerce, Directorate for International Cooperation, Promotion and information to members, April 2010

5.1.1. Sectoral Cooperation

Metal Complex - the cooperation with Bulgaria took place mainly on the classification of products, raw materials and procurement of raw materials. Realistically, the possibilities for cooperation could be increased with greater promotion and contacts to increase current exports. Opportunities for cooperation exist above all in the achievement of common and produce joint third markets. Also, the cooperation can be expanded by increasing existing export products from the metal complex as various sheets, tubes and profiles, steel constructions and other metal products for construction, buses, unusual equipment, Electro-Energy equipment, boilers, cooling equipment and other products.

Agro-food sector - with full membership of Bulgaria in EU, from 1.01.2007, the foreign trade in the area of agro-food products are conducted within the Agreement on Stabilisation and Association of Macedonia with the EU, that is more favorable system conditions of exchange in relation to previously established. Namely, with a bilateral Free Trade Agreement between Macedonia and Bulgaria, the exchange took place within the concessions granted by both sides, most of which were 50% of MFN duty, which duty was significantly higher than us on the appropriate product. The Bulgarian market conditions have a high competition from Poland and Turkey, and more liberal import from Bulgaria, Macedonia than exports.

Wood products and furniture manufacturing - In the structure of trade in the processing industry have a dominant representation raw materials of wood, while slight, is represented exchange of final products of wood, as mabel and parts of furniture. The fact remains that trade between Macedonia and Bulgaria in the area of the forest industry should achieve a higher degree of realization of finished products and Macedonian manufacturers with quality and competitive prices to move more actively in the conquest of the Bulgarian market. Macedonian companies in the wood industry and furniture manufacturers are interested in intensifying cooperation with companies from Bulgaria.

Textile Industry - With the entry of Bulgaria into the European Union in 2007, exports of finished textile products and their classification in the Bulgarian market is becoming uncompetitive because of the impossibility of obtaining preferential origin status for those products made from raw materials which are mostly imported from Turkey. The fact remains that trade between Macedonia and Bulgaria in the field of textile and apparel industry is unsatisfactory level given the lack of utilization of the favorable conditions for business cooperation and traditionally good bilateral relations between the two countries. Macedonian textile companies are interested in intensifying cooperation with companies from Bulgaria.

Construction, construction industry and nonmetals - Macedonian construction companies carried out construction works in Bulgaria, with the greatest participation in the performance of infrastructure facilities. Over the last decade, the value of construction work performed moves differently, and the participation of derived works in Bulgaria's total construction work performed on the Macedonian business in overseas has a different trend, which, of course, depend on investments in Bulgaria, and the tenders received by Macedonian firms. After the fall of 2007, is expected to engage more recently in Bulgaria

In the construction industry and nonmetals in recent years have seen an increase in

exports, a moving average of around 10 million dollars, with a tendency to increase. Most frequent were mineral raw materials: roasted gypsum, marble, while the most common products are: gypsum products, refractory materials, ceramic tiles and brick masonry and more. Expressed particular problems in current operations between the Macedonian and Bulgarian firms and exchanges will usually only in business cooperation, which is realized depending on the need of the market in both countries.

Traffic - The cooperation between Macedonia and Bulgaria in the field of traffic is carried in more fields. A very high level cooperation in road transport which is regulated by the Agreement on international road transport of passengers and goods, concluded between the governments of both countries in 1995. The road freight traffic, transit and bilateral transportation of goods is carried out without requiring the licensing, while the carriage of goods from and to third countries in 2008 were exchanged in 1000 permits, which meets the needs of carriers and entrepreneurs to realize the agreed deals . The bus traffic, the two countries have established lines transporting passengers to connect to almost all major cities of both countries, while tourism, transport vonliniski takes place under the international ASOR- Convention.

APPENDIX 1: Exports of the Republic of Macedonia by countries

In U.S. \$ million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bulgaria	42,47	26,11	26,94	20,8	21,78	25,83	51,53	76,10	130,14	242,52	376,64

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 43

APPENDIX 2: percentage composition of Macedonian exports by country

In percent

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bulgaria	3,24	2,19	2,03	1,79	1,94	1,88	3,07	3,73	5,42	7,31	9,47

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 44

APPENDIX 3: Exports of products in Bulgaria 2000-2008

In U.S. \$ million

	2000	2001	2002	2003	2004	2005	2006	2007	2008
agricultural products	3.58	2.99	2.78	4.00	12.75	7.52	10.82	31.75	33.19
Food	2.76	1.72	1.70	2.43	11.47	6.27	9.56	30.28	32.31
raw	0.82	1.26	1.07	1.57	1.28	1.25	1.26	1.47	0.88
Mineral resources	13.19	5.70	4.34	3.39	3.73	12.14	36.82	66.11	153.96
ore and other minerals	11.84	3.69	2.78	2.61	2.84	11.88	36.25	65.42	153.87
fuels	0.07	0.88	0.03	0.22	0.84	0.08	0.11	0.03	0.03
non-ferrous metals	1.27	1.13	1.53	0.55	0.05	0.19	0.46	0.66	0.07
Production	10.15	12.08	14.65	18.41	35.01	56.38	82.50	144.66	189.49
Iron and steel	3.15	4.16	4.29	4.95	15.21	27.57	50.25	84.5	108.66
Chemical products	1.79	2.09	2.58	3.66	5.10	8.50	10.32	15.57	26.95
Other semi products	2.75	3.66	5.29	6.45	9.55	12.02	14.71	29.86	29.29
machinery, office and transport equipment	0.82	0.82	1.08	1.93	4.07	6.66	5.50	7.93	13.13
Textile	1.20	1.08	0.94	0.94	0.79	1.29	1.11	1.36	3.07
Clothing	0.12	0.12	0.27	0.09	0.03	0.05	0.03	3.53	5.78
Other consumer goods	0.32	0.16	0.21	0.40	0.26	0.28	0.53	1.88	2.61
Products non divided by type	0.02	0.03	0.01	0.02	0.03	0.06	0.04	0.02	0.00
Total	26.94	20.80	21.78	25.83	51.53	76.10	130.14	242.52	376.64

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 50

APPENDIX 4: Imports of Republic of Macedonia by countries

In U.S. \$ million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bulgaria	86,28	91,63	97,64	103,33	128,48	148,98	208,82	234,33	250,17	267,10	322,12

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 45

APPENDIX 5: Macedonian percentage composition of imports by country

In percent

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bulgaria	5,58	4,52	5,16	4,65	6,09	6,43	6,48	7,20	6,65	5,75	4,75

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 47

APPENDIX 6: Imports from Bulgaria 2000-2008

In U.S. \$ million

	2000	2001	2002	2003	2004	2005	2006	2007	2008
agricultural products	18.25	18.60	24.73	24.79	26.17	32.26	28.72	32.77	47.10
Food	8.41	10.82	14.36	14.29	17.17	24.84	21.47	26.42	42.61
raw	9.84	7.78	10.37	10.50	8.99	7.42	7.25	6.35	4.49
Mineral resources	9.49	23.04	32.93	36.12	80.41	104.59	102.02	97.29	117.71
ore and other minerals	0.48	0.52	0.67	0.63	5.61	15.42	18.22	33.66	72.66
fuels	6.45	17.23	28.51	33.74	70.55	85.01	76.21	58.53	39.29
non-ferrous metals	2.56	5.29	3.75	1.75	4.25	4.16	7.59	5.1	5.77
Production	58.34	50.11	56.57	68.21	84.88	96.69	119.43	137.04	157.31
Iron and steel	10.46	6.68	6.70	10.28	11.48	15.48	25.34	21.42	23.90
Chemical products	16.54	12.96	13.19	15.79	19.01	22.19	26.50	28.64	35.19
Other semi products	17.11	14.41	20.35	24.83	30.64	29.07	31.71	39.53	46.96
machinery, office and transport equipment	5.30	4.74	7.58	7.73	10.73	13.00	16.22	20.5	26.08
Textile	2.42	3.16	2.38	1.68	2.46	3.88	4.30	4.62	6.34
Clothing	0.35	0.08	0.25	0.35	0.29	0.47	0.50	0.63	1.30
Other consumer goods	6.15	8.08	6.12	7.56	10.10	12.60	13.82	19.39	17.53
Products non divided by type	11.57	11.58	14.25	19.08	17.35	0.79	1.02	2.3	0.00
Total	97.64	103.33	128.48	148.98	208.82	234.33	250.17	267.1	322.12

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 55

APPENDIX 7: Trade of the Republic of Macedonia by year 1990-2008

In thousands of U.S. \$

year	export	import	balance	coverage of imports by exports	trade deficit as a share of GDP
1990	1.112.786	1.530.851	-418.065	72,7%	9,83%
1991	1.095.450	1.274.166	-178.716	86,0%	4,48%
1992	1.198.626	1.206.105	-7.479	99,4%	0,20%
1993	1.055.298	1.199.351	-144.053	88,0%	4,18%
1994	1.086.343	1.484.092	-397.749	73,2%	11,73%
1995	1.204.048	1.718.904	-514.856	70,0%	15,36%
1996	1.147.440	1.626.917	-479.477	70,5%	14,14%
1997	1.236.808	1.778.515	-541.707	69,5%	15,67%
1998	1.310.679	1.914.663	-603.984	68,5%	16,89%
1999	1.191.266	1.776.151	-584.885	67,1%	15,68%
2000	1.322.617	2.093.872	-771.255	63,2%	19,78%
2001	1.155.068	1.687.600	-532.532	68,4%	14,30%
2002	1.112.727	1.962.110	-849.383	56,7%	22,62%
2003	1.363.252	2.299.921	-936.669	59,3%	20,60%
2004	1.673.490	2.903.430	-1.229.940	57,6%	25,40%
2005	2.041.270	3.295.000	-1.253.730	61,9%	21,75%
2006	2.400.710	3.762.720	-1.362.010	63,8%	21,94%
2007	3.356.248	5.227.576	-1.871.328	64,2%	24,34%
2008	3.976.252	6.777.670	-2.801.420	58,6%	-

Source: Ministry of Economy of the Republic of Macedonia and USAID: Statement of Foreign Trade of the Republic of Macedonia 2009, Ministry of Economy of the Republic of Macedonia and USAID, Skopje, 2009, pp. 42







SUMMARY

Negotiating activity of Macedonia and the number of bilateral agreements uninspired free trade contributed to the country to be placed as the leader in the process of liberalization of trade in Southeast Europe. Five were concluded arranged asymmetrical. Four of them (the agreement with Turkey, the EU, EFTA and Ukraine) were asymmetric in favor of Macedonia and the agreement with BiH was asymmetric in favor of BiH.

Macedonian products were exported to the markets of Serbia 934 million), Germany (563 million U.S. dollars), Greece (535 million), Bulgaria (376 million) and Italy (321 million U.S. dollars). Exports in the above countries contribute 68% of the total exports of the country. Serbia accounted for 23.14%, 14.16% of Germany, Greece 13.45%, while Bulgaria 9.47% and 8.04% of Italy's exports.

The sources of imports in the Republic of Macedonia marked change in the destination where it originated imports. The most important import partners of Macedonia, Russia (930 million), Germany (636 million), Serbia (529 million U.S. dollars), Greece (505 million U.S. dollars) and Bulgaria (327 million U.S. dollars). If you look at the structure of imports may be noted that in the Republic of Russia imported fuels to contribute 97% of the total imports from Russia to Macedonia. Imports from Germany consist of machinery, office and transport equipment, textiles and chemical products occupy 77% of the total value imported from Germany. Imports from Serbia to Macedonia is almost evenly distributed in all branches of the products.

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