

THE RAILWAY CONNECTION BETWEEN MACEDONIA AND BULGARIA: MODE OF STRENGTHENING ECONOMIC COLLABORATION

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Macedonia sees the Black Sea region as a crucial geographical area primarily due to its significance in trade and energy routes. However, in the Macedonian case, the Black Sea region is seen in a narrow perspective regarding security issues, but in wider perspectives regarding economic and trade relations. Most freight and passenger traffic between the Macedonia and Bulgaria is transported by road. From a commercial point of view, Bulgaria is one of the fifths trading partners for Macedonia, and its business cooperation with these countries has increased in importance.

One mode of transport is consistently predominant and favored for Macedonian economy. Road transport was the main mode of transport used for trade with all trade countries with 92% by value and 89% by volume over the five years. Also showing a higher percentage in terms of volume than value, rail transport accounted only between 12-20% by volume and between 5-10% by value.

But what about the rail. Up to nowadays Macedonia and Bulgaria are not rail connected. The idea of connection directly Sofia and Skopje by rail dates back to mid-19th century. Two decades are planning the rail construction between Kumanovo-Beljakovce, towards the Bulgarian border to the east. This branch may be the first section of the link between the Macedonian Railways and the Bulgarian Railways, on Corridor VIII.

Investing in rail infrastructure is associated with lower total travel time, higher comfort and reliability, reduction in the probability of accident, and in some cases the release of extra capacity which helps to alleviate congestion in other modes of transport. Cross-border cooperation between neighboring authorities is intended to develop cross-border economic and social centers through joint strategies for sustainable territorial development. Improving the efficiency of transport and logistical flows will act as a catalyst for deeper EU–Macedonian integration, including Macedonian-Bulgarian transport connection.

Key words: rail transport, Corridor VIII, efficient transport system, regional development, sustainable development

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Corridor VIII and Economic-political influences of for the Region

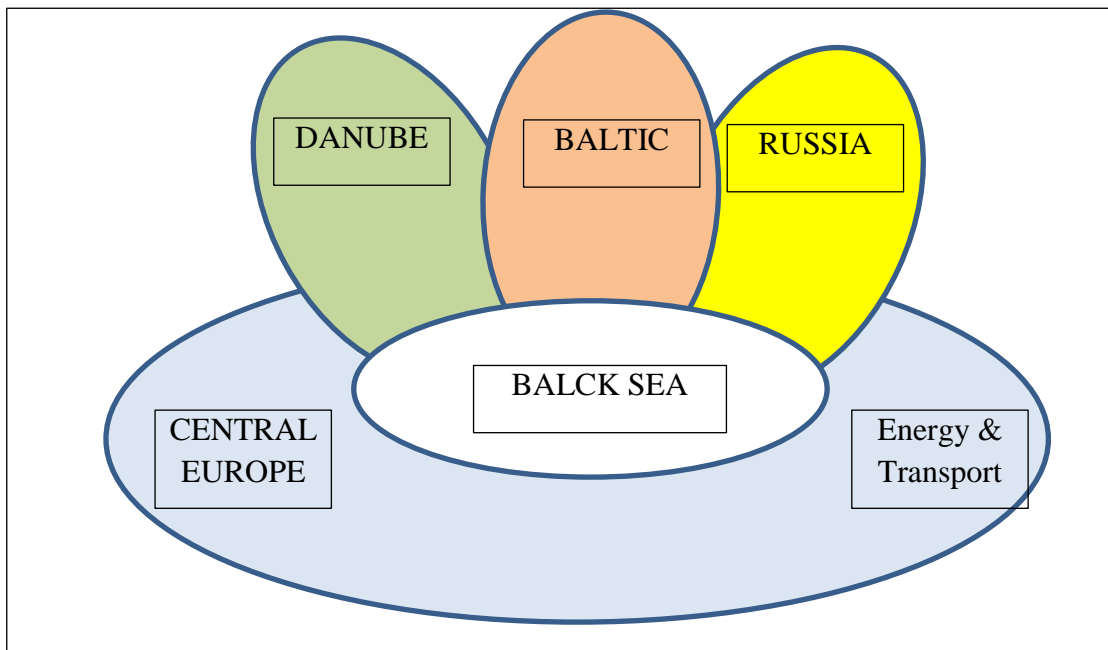
The territory of Macedonia is crossed by two transport corridors (VIII and X), and the territory of Bulgaria is crossed by five corridors of primal importance in Eastern Europe (corridors IV, VII, VIII, IX and X), thus proving the fact that the countries have a key geo-strategic location in Balkans region. The Corridor VIII is one of ten Pan-European corridors connecting the Adriatic and Black Sea by an east-west land route running from the Italian ports of Bari and Brindisi to the port of Durres in Albania and far on a land route to Tirana, Skopje and Sofia, finally arriving in the Black Sea ports of Burgas and Varna. Corridor VIII represents a new East-West transport direction, linking the Adriatic region to the states of the Black Sea basin. It will restore the once-famous Silk Road connecting Europe and Asia through the Caucasus.²

There are some missing sections in the land-based railway corridor mainly in Albania, between the Albanian border and Kicevo in Macedonia, between Kumanovo and Deve Bair (border to Bulgaria) and between the Bulgaria border and Gyueshovo.

Within the European and trans-continental framework Corridor VIII will play an important role for the transport communications among Southern Europe, Northern Africa, the Caspian Basin, Central Asia, Russia and Ukraine. It is a new alternative for transport links among the above-mentioned regions, that also includes great possibilities for using water transport, thus making haulage expenditures smaller, as compared to other routes based entirely on land transport. Its strategic perspective lies in the linkage of significant sea-ports such as Varna, Bourgas, Poti, Batoumi, Novorossijsk, Ilichevsk and Odessa on the Black Sea, Dourres and Vlore on the Adriatic Sea, a linkage that facilitates the opportunities of servicing the markets of Central Asia, Russia and Ukraine, too.

Figure 1. Gravitation power of Wider Black Sea Region for R. Macedonia and Central Europe countries

² South East Europe is traversed by TEN-T and Pan-European rail corridors. Where these corridors pass through EU member states they are part of the TEN-T rail network, and beyond the EU they are known as Pan-European corridors. At the beginning of the 1990s, and following the opening of Eastern Europe, a series of Pan-European Transportation Conferences were held with the purpose of identifying the transportation infrastructure development needs of this region. The objective was also to create a strategy that would integrate all transportation networks within greater Europe. The main conclusion of the First Pan-European Transportation Conference (Prague, October 1991) was that the accent must be placed on a corridor-based approach. The Second Pan-European Transportation Conference (Crete, March 1994) defined nine transportation corridors—the so-called Pan-European Corridors. They were recognized as the major transportation arteries of Eastern Europe, and it was understood that transportation infrastructure investments should be prioritized along these corridors. A tenth corridor was added to the network at the Third Pan-European Transportation Conference (Helsinki, June 1997), bringing additional connectivity into the Balkan region.



Source: Emerson M.(2008): The EU's New Black Sea policy: What kind of regionalism is this?.CEPS 297/June 2008. pp.6.

The Adriatic and the Mediterranean Sea, Albania, Macedonia, Bulgaria, the Black Sea, Georgia, Armenia, Azerbaijan, the Caspian Sea, Turkmenistan, Uzbekistan, Kazakhstan and Kirghizstan are within the larger scope of the corridor. Following the entry into exploitation of the corridor the route of goods and people among the above-mentioned regions and states will be considerably shortened. According to experts, that will be one of the most dynamically developing transport arteries at the beginning of the 21st century and will attract intensive transit traffic on the Balkans. The corridor's prospects are also conditioned by its greater security, because it obviates areas of permanent and temporary political and ethnic conflicts that overburden some of the competitive routes. With regard to the Balkan Peninsula, Corridor 8 has important integrative functions in connecting the territories of Albania, Macedonia and Bulgaria. Each one of these states considers Corridor VIII as highly conducive to its future progress, both in international and national aspect. The expected beneficiary effects and impacts are the following:³

- the region's opening towards Europe and the world
- the broadening of the economic links and exchange of merchandise among the states concerned
- the promotion of trans-border co-operation among bordering areas
- the overcoming of certain regional disparities
- the stimulation of the development and the economic activities in certain peripheral regions that lag behind

³ Roussev S. (2000): Environment management along the road-bed of Trans-European Corridor n 8 in the section between Sofia and Scopje. In: B A L K A N S, Politics, Economy, Security No 2, Spring 2000 - Volume 2.

- the ever growing attraction of the region for foreign investors in the field of economy and infrastructure projects

“European Neighbourhood Policy is founded on the premise that by helping our neighbours we help ourselves. It provides us with a new framework and new tools for promoting good government and economic development in the EU's neighbourhood. And it utilises the valuable experience we have already gained of assisting countries in transition... a pragmatic response to the challenges Europe faces today.”⁴

In order to create a capable railway connection along the Corridor VIII Macedonia takes a lot of efforts assisted by international organisations and financing bodies to close the missing sections in Macedonia. Investment projects for the further missing sections in Albania and Bulgaria are also in the pipeline.

Developing closer political and economic links between Bulgaria and Macedonia requires a sound underpinning through good physical inter-connections across the neighbourhood.

Revitalising the railways network system in Europe

Rail is a really mix of contrast: of ancient and modern. On the one hand, there are high performance high-speed rail networks serving their passengers from modern stations; on the other, antediluvian freight services and decrepit suburban lines at saturation point, with commuters jammed into crowded trains which are always late and eventually release their floods of passengers into sometimes dilapidated and unsafe stations.

The fact is that, almost two centuries after the first train ran, the railways are still a means of transport with major potential, and it is renewal of the railways which is the key to achieving modal rebalance. This will require ambitious measures which do not depend on European regulations alone but must be driven by the stakeholders in the sector.

The rail liberalization process in the EU was formally initiated by a series of directives issued in 1991 and 1995. Since that time, the EU has progressively built a large body of legislation that focuses on:

1. The gradual opening of the rail market by regulating access to the infrastructure and interoperability of the European rail network;
2. Separation of infrastructure from transport operations; and
3. Common approach on rail safety. This body of legislation includes a diversity of acts, which are binding on all member, accession and applicant countries unless specific derogations have been agreed.

⁴ Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, October 2005
<http://www.pressonline.com.mk/default-EN.asp?ItemID=3C199DDE445DE142AC04550E1CE41A85>
 18/09/2011

In 1996, the EU White Paper on the rail sector highlighted the need for more pronounced reform to give the rail sector a chance of success in the European internal market—particularly vis-à-vis the road sector. The first railway package presented by the Commission in 1998 focused on the shortcomings of Directive 91/440/EEC and was comprised of three Directives. Implementation of the directives creates an institutional framework allowing any rail undertaking that has been licensed in accordance with EU criteria to have access to rail infrastructure on fair, non-discriminatory terms to offer pan-European services, starting with international freight services on the trans-European rail freight network.

Poor transport infrastructure constitutes one of the major problems in the border regions and an important barrier for their spatial integration and development. In response to that, the European transport policy contribution to the implementation of the trans-European transport network should be concentrated on the cross-border sections and on bottlenecks (EC 2007, 5). Planning this Community network has essentially meant adding together significant parts of national networks for the different modes and connecting them at national borders (EC 2009, 5). In that respect, cross-border mobility and interaction could play a vital role in European trans-border planning of transport infrastructure.

On the other hand, the latest territorial cohesion agenda of the EU (EC 2008) points out that transport policy has obvious implications for territorial cohesion through its effect on the location of economic activity and the pattern of settlements. It plays a particularly important role in improving connections to and within less developed regions. The territorial agenda of the EU also acknowledges the crucial importance of cross-border mobility and cooperation that underlines the need of synergies in regional development and spatial planning issues. This is quite evident through the long run of the INTERREG programme and the current transnational cooperation programmes that are funded by the European Regional Development Fund (ERDF) under the European Territorial Cooperation Objective of Cohesion Policy for the period 2007-13. Europe must bring about a real change in the Common Transport Policy. The time has come to set new objectives for it: restoring the balance between modes of transport and developing intermodality, combating congestion and putting safety and the quality of services at the heart of our efforts, while maintaining the right to mobility. One of the main challenges is to define common principles for fair charging for the different modes of transport. This new framework for charging should both promote the use of less polluting modes and less congested networks (like the railways system) and prepare the way for new types of infrastructure financing.⁵

⁵ Fourkas V.[et al.]: Trans-border movements in northern Greece: seeking for spatial interactions. The Multifaceted economic and political geographies of internal and external EU borders. 23-25 September 2010 Veria - Greece. p 2.

Rail transport is literally the strategic sector, on which the success of the efforts to shift the balance will depend, particularly in the case of goods. Revitalising this sector means competition between the railway companies themselves. The arrival of new railway undertakings could help to bolster competition in this sector and should be accompanied by measures to encourage company restructuring that take account of social aspects and work conditions. The priority is to open up the markets, not only for international services, as decided in December 2000, but also for cabotage on the national markets (to avoid trains running empty) and for international passenger services. This opening-up of the markets must be accompanied by further harmonisation in the fields of interoperability and safety.

Between 1970 and 1998 the share of the goods market carried by rail in Europe fell from 21.1 to 8.4 % (down from 283 billion tonnes per kilometre to 241 billion), even though the overall volume of goods transported rose spectacularly. But while rail haulage was declining in Europe, it was flourishing in the USA, precisely because rail companies were managing to meet the needs of industry. In the USA, rail haulage now accounts for 40 % of total freight compared with only 8 % in the European Union, showing that the decline of rail need not be inevitable.

The growing awareness on the part of the operators who recently engaged on a joint definition of a common strategy for European rail research to create a single European railway system by 2020, must be welcomed. Today, the rail stakeholders agree to achieve the following objectives by 2020: for rail to increase its market share of passenger traffic from 6 to 10 % and of goods traffic from 8 to 15 %;

Opening up rail transport to regulated competition — which started properly in 2003 when international goods services on the 50 000-kilometre trans-European rail freight network are opened up — is the central precondition for revitalising the railways. By 2008 the entire European international freight network opened up completely, thanks, in particular, to the determination of the European Parliament.⁶ The arrival of new railway companies from other backgrounds, with solid experience of logistics and intermodal integration, must make this sector more competitive and encourage the national companies to restructure while also taking social issues and working conditions into account. This restructuring will thus need to include accompanying measures to minimise its social impact.⁷

⁶ In this document signed by the International Union of Railways (UIR), the Community of European Railways (CER), the International Union of Public Transport (IUPT) and the Union of European Railway Industries (UNIFE)

⁷ Case study for improve rail system in Europe:

New operators BASF, the German chemicals giant, is becoming the first major rail freight operator to join the traditional companies, with the aid of 'Rail4Chem', a joint venture which it has launched with Bertschi AG, Hoyer GmbH and VTG-Lehnkering AG.

The Swedish group IKEA recently set up a separate company to manage the transport of its own goods. At the moment, 18 % of them are carried by rail. IKEA's management wants to raise this to 40 % by 2006 (equivalent to around 500 trains a week). In this context, IKEA plans to publish a call for tenders for railway

THE RAILWAYS OF R.MACEDONIA

Railway transport in the Republic of Macedonia is performed through a network of 699 km open rail lines, 226 km station and 102 km industrial rail tracks. The lines: Tabanovce-Skopje-Gevgelia (213.5 km), General Jankovic-Skopje (31.7 km) and Veles-Bitola-Kremenica (145.6 km), apart from national transport, also have international character. Out of the total railway network, 231 km (Tabanovce-Skopje-Gevgelia), or close to 33% open lines and 83 km station lines are electrified. Railway network has 68 railway stations (32 regulated by modern SS and TK devices, and the rest regulated by electric and mechanical devices), one shunt station, six depots and 62 standing points. Stations are mainly passengers and goods transport, except Skopje station intended for passenger transport only.

In 2007 Macedonian Railways (*Makedonski Železnici*; MŤ) was reorganized into two separate joint stock companies—a public enterprise in charge of infrastructure management, Macedonian Railways Infrastructure (MŤ-I) and a transport company in charge of passenger and freight operations, Macedonian Railways Transport (MŤ-T). R.of Macedonia adopted a new railway law and rail safety law in 2010, both of which entered into force on April 17, 2010. Since 2007, there are two independent rail companies as successors to Macedonian Railways—Public Enterprise Macedonian Railways Infrastructure (MZ Infrastructure) and the joint-stock company Macedonian Railways Transport (MZ Transport). This change was part of a broader railway reform program aimed at making the Macedonian rail sector comply with EU directives and the EU rail *acquis*, and by doing so, increase the commercial orientation of activities in order to allow the rail system to operate successfully and in competition with other operators.

The rail network of Macedonia is small, with 699km of single track rail—with only 235 km electrified. The main line of Pan-European Corridor X traverses FYR Macedonia from Tabanovce to the capital Skopje to Gevgelija, as well as the branch Corridor Xd from Veles to Bitola to Kremenica (146 km). Along Corridor X the line is electrified and has a Siemens safety control system—the railway sections along this corridor are expected to be linked to a telecommunications system in the future. The country is also traversed by Pan-European Corridor VIII⁸. This corridor connects the Black Sea through Bulgaria and Macedonia to Albania and the Adriatic Sea. It is 313 km long,

companies to carry goods between its different subsidiaries — at the lowest cost and giving the best guarantees. In the long term, IKEA could seize the opportunity offered by this opening of the European market to become a major rail company.

⁸ The total length of Rail Corridor VIII is approximately 1270 km. Its continuity is interrupted by two missing links at the borders between Albania and the Republic of Macedonia, and between the Republic of Macedonia and Bulgaria. The ports connected to Corridor VIII are Bari/Brindisi in Italy, Durres/Vlore in Albania and Burgas/Varna in Bulgaria. In recent years, the completion of Corridor VIII has shown a great development potential as a strong factor contributing to economic integration for the bordering Countries crossed by the Corridor, thus contributing to the regional stabilization process.

although only 154 km are constructed—from Kumanovo-Skopje-Kicevo—with the border of Bulgaria to Kumanovo currently under construction. International transport accounted for 98 percent of freight transport in 2009, most of which is transported through Corridor X, making the operational and financial performance of MŤ-T and MŤ-I highly dependent on traffic development along this part of the network.

As with the rail infrastructure, the rolling stock of MŽ-T is aged. As of end 2009, the number of freight wagons stood at 1,323, out of which 920 wagons are operational, with an average age exceeding 30 years. MŤ-T currently has 68 passenger coaches, which overall are less old than freight wagons, as 14 percent were acquired in the last ten years. The company owns 67 locomotives, although only 12 of them were operational as of end 2009, with the remainder immobilized while they await repairs—the average age of the inventory of locomotives is 37 years.

In the last decade, freight and passenger rail traffic declined in the FYR Macedonia by 7 percent. Passenger traffic has declined from 176 million passenger-km in 2000 to 154 million passenger km in 2009—equal to only 24 percent of total rail traffic. Even without the negative impact of the international financial crisis, passenger traffic in 2008 was lower than in 2000. By contrast, freight traffic grew strongly over 2000-2007, rising by 48 percent to 778 million ton-km, before declining sharply, particularly in 2009. As a result, overall freight traffic declined by 6 percent over 2000-2009, with the decline in 2009 wiping out the gains of the preceding years. The sharp decline in freight transport starting in the second half of 2008 reflects the impact of the crisis on the metals sector, which accounts for 44.5 percent of transported goods, measured in tons; some of the large clients of MŤ-T include Mittal Steel, Fenimak, the nickel mine company, and Makstil, a steel company. Freight transport is dominated by international transport, with transit and import traffic each equal to 45 percent of total freight traffic in 2009.

MŤ-I is also interested in construction of new track along Pan-European Corridor VIII, the 89 km between Kumanovo and the border with Bulgaria. The total cost of this project, excluding VAT, is estimated at Euro 395 million, with Euro 6.7 million required for the preparation of technical documentation.

Trade between Macedonia and Bulgaria

Movements in the global economy have great impact on changes in the foreign trade of the Republic of Macedonia. The Report on the Foreign Trade for 2010 sees insignificant growth of exports by \$294.035.000 compared to 2009 (216.945.000). On the other hand, there is a significant growth of imports by \$301.594.000 compared to 2009 (244.312.000), or a total value of trade of \$595.629.000. These numbers expressed in percentages show an increase by 35.53% on the side of exports and 23.44% increase on the side of

imports compared to 2007. It means that the trade deficit reached the amount of \$7.559.000.

Import from Bulgaria 2000-2008 in 000 \$

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agrocultural 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 materials	9.84	7.78	10.37	10.50	8.99	7.42	7.25	6.35	4.49
Mineral raw materials	9.49	23.04	32.93	36.12	80.41	104.59	102.02	97.29	117.71
Ore and other mineral	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	137.94	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 finished products	17.11	14.41	20.35	24.83	30.64	29.07	31.71	39.53	46.96
Machinery, office and transport equipement	5.30	4.74	7.58	7.73	10.91	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
Clothes	0.35	0.08	0.25	0.35	0.29	0.47	0.50	0.63	1.30
Other consumemer goods	6.15	8.08	6.12	7.56	10.10	12.60	13.82	19.39	17.53
Production not classified by kind	11.57	11.58	14.25	19.86	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

Export to Bulgaria 2000-2008 in 000\$

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agrocultural 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 materials	0.82	1.26	1.07	1.57	1.28	1.25	1.26	1.47	0.88
Mineral raw materials	13.19	5.70	4.34	3.39	3.73	12.14	36.82	66.11	153.96
Ore and other mineral	11.84	3.69	2.78	2.61	2.84	11.88	36.25	65.42	153.96
Fuels	11.84	3.69	2.78	2.61	2.84	11.88	36.25	65.42	153.87
Non-ferrous metals	0.07	0.88	0.03	0.22	0.84	0.08	0.11	0.03	0.03
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 finished products	2.75	3.66	5.29	6.45	9.55	12.02	14.71	29.86	29.29
Machinery, office and transport equipement	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
Clothes	0.12	0.12	0.27	0.09	0.03	0.05	0.03	3.53	5.78
Other consumemer goods	0.32	0.16	0.21	0.40	0.26	0.28	0.53	1.88	2.61
Production not classified by kind	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

In the Tables we can see the following trends in trade (imports and export), between Macedonia and Bulgaria from the passed period trade is continually

growing. If we analyze in more details the Macedonian imports in 2008 with Bulgaria we can notice the following trends: Bulgaria, as one of the largest exporters to Macedonia, from 6% in 2007, saw a growth of 20% in 2008 compared to the previous year. In this context the considerable fact is the trend of growth of imports from Russia, which has been increasing. In 2007, imports increased by 13% compared to the previous year, and in 2008, compared to 2007, it has increased by 17%. If we look at the structure of imports, we can notice that products imported by the Republic of Macedonia from Russia are mostly from the group of “fuels”, the share of which is 97% of the total imports from Russia to Macedonia. The railways system with Bulgaria will help to reduce the import cost, especially with transportation the fuel. Bulgaria is also most important destination for Macedonian products. Bulgaria share with 9.47% of Macedonian export.⁹

Despite the crisis, the number of foreigners who visit R. Bulgaria keeps rising each year. In 2009 the number of Macedonian tourists arrivals in Bulgaria was 29752 (decrease -2.8 with 2008). The number of tourists from Bulgaria in R. Macedonia in 2010 was 15513 compared to 2009, decreased by 34.3% (in 2009 number of Bulgarian tourist was 23619)¹⁰, and the number of nights decreased on 29098 (in 2009 - 46656, decreased 37.6%).¹¹

In spite of prosperity and well neighbors relationship, it supposed the number of tourist's arrival in both countries will rise continually in the future.

The role of the state in stimulating competitiveness

In this era of globalization, fast technological development, innovations, accelerated structural adjustments, and increased competition, the reality calls for a new function of the state, which will, by implementing more active policies, foster the competitiveness of the economy, the creation of a favorable and interactive business environment, and attract foreign investments. This goal can only be achieved through nourishing an entrepreneurial spirit, innovation, various forms of interconnecting of the businesses inside the industry, and clustering. This means supporting the companies in the process of internationalization and approaches to new markets via export promotion and international marketing, as a contemporary approach to international trade that allows for streamlining and coordination of the business activities. Each country, to a lesser or a larger extent, makes efforts to implement instruments and mechanisms for promotion of products

⁹ Macedonian products in 2008 were being exported into markets in Serbia (\$934 million), Germany (\$563 million), Greece (\$535 million), Bulgaria (\$376 million) and Italy (\$321 million). The share of exports in the aforementioned countries is 68% of the total exports of the Republic of Macedonia. These are the percentages of the exports per countries: Serbia - 23.14%, Germany – 14.16%, Greece – 13.45%, Bulgaria - 9.47% and Italy – 8.04%.

¹⁰ Bulgarian statistics registered 31960 trips of Bulgarian residents in R.Macedonia in 2009.

¹¹ The main reason it supposed is the accident of sinking of the tourist boat Ilinden in the Macedonian Ohrid Lake when killed 15 Bulgarians on September 5, 2009.

and services that exceed the national borders. This is done to achieve a more successful impact in foreign markets or the global market, better representation, and promotion and establishment of national brands. On the other hand, better sales of the national products and services ensure foreign currency inflow and better solvency of the Macedonian companies. Successful policies for increasing the number of companies undergoing internationalization are primarily based on analysis of the problems faced by businesses in this process and determination of the priority areas for intervention and support through a range of programs and measures.

A good infrastructure is the foundation for accelerated economic development, better competitiveness of the economy, faster flow of people, goods and passengers. Given the fact that the Republic of Macedonia is located on the main corridors east–west (Corridor VIII) and north–south (Corridor X), the Government will continue with the realization of the capital infrastructural projects which will contribute to improvement of the competitiveness of the national economy, increased economic growth and will make the regional development steadier. This will intensify the Macedonian integration towards EU standards and reduce the infrastructural gap.

At present, the Republic of Macedonia has introduced and implemented a number of programs aiming at increasing the competitiveness of transport sector, but they are always segmented and often not well coordinated and harmonized, which prevents the creation of a common vision and reduces their potential impact.

In the previous period, the Ministry of Transport in correlation with Ministry of Economy have been implementing continuously the Program for Enhancing the Competitiveness of the Macedonian Products and Services, the Program for Development of SME's Entrepreneurship, Competitiveness and Innovativeness, Program for Attracting Investments in the Republic of Macedonia, Program for Clustering Support and Development, as well as several sectorial strategies and programs. It is important to stress that there are also other government programs for stimulating competitiveness, but these are being implemented by other ministries and institutions, but primarily of thus, attention are given of better transport communication projects.

In order to develop the railway traffic, several projects will be conducted for updating the existing railway tracks and constructing new ones, as well as, strengthening the efficiency and safety of the railways, especially in Corridor VIII:

- Construction of a new railroad from Beljakovce–Kriva Palanka to Deve Bair, the border with the Republic of Bulgaria with a length of 60 km (2012–2020);
- Construction and reconstruction of the railroad Kumanovo–Beljakovce with a length of 29 km (2012–2020);
- Construction of a new railroad from Kichevo to Lin, the border with the Republic of Albania with a length of 70 km (2012–2020).

Macedonia don't be late of implementation the strategy for Corridor VIII, because it can be transport isolated in railways sector. In Belgrade, on July 30, 2010, representatives of the transport ministries of Serbia, Slovenia and Croatia signed a Declaration on forming a joint railway company, Cargo 10, which will enable faster transport of goods on Pan-European Corridor X and simplification of border procedures. It aims in the long-term to cut the time needed to get from Ljubljana in Slovenia to Istanbul in Turkey, from 57 hours at present, to 35-40 hours, in part thanks to simplified border procedures. The agreement will simplify and speed up customs procedures at border-crossings, as well as phytosanitary and veterinary controls. Macedonia can be active participant in Balkans and European transport system, if construct the railways links with Bulgaria and Albania.

Conclusion

The main objective of this report is to serve as a wake up call to the relevant authorities—which include transport and finance ministries as well as rail companies—of the urgent need for stepping up the reform process. FYR Macedonia adopted a new railway law and rail safety law in 2010, both of which entered into force on April 17, 2010.

The present situation in Macedonian transport is not satisfactory, notably connection with R. Bulgaria. R. Bulgaria is Macedonian strategic trade partner and Macedonia and Bulgaria must arrange much more in transport policy. The improvement of transport conditions for both neighboring's represents a strategic issue of first priority and a contribution to the European transport policy. Corridor 8 is expected to be one of the impulse to generate economic development among Bulgaria, Macedonia and Albania, and also play a role in domain the Economic and Environmental Programs in this regional policy.

International transport links play an important role for the economic development of regions, evaluating international freight transport and border crossing efficiency gives an idea how the transport system is performing with respect to international accessibility. Mobility is an important factor for social inclusion. Access to the most basic social services requires mobility; an affordable transport system is thus a prerequisite to avoid social exclusion. To analyse individual affordability we inspect household expenditures on transport and the development of transport pricing. The transport system should be affordable for the individual and also for the society; we therefore evaluate the public expenditures on transport.

Macedonian transport policy should place rail and road transportation on an equal footing: the legal provisions and the level of financial contribution of the state for railway and road infrastructure should be equivalent. This will allow users to make the socially optimal choice between the two modes for

each trip. As long as the financial support of the state is reflected in an unbiased manner in the transportation tariffs for competing modes of transport, the market will generate enough resources to cover infrastructure operation needs.

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