

Macedonia's Advantages



H.E. Nikola Gruevski

An Interview with
H.E. Nikola Gruevski, Prime Minister of Macedonia

EDITORS' NOTE Nikola Gruevski has been the Prime Minister of Macedonia since August 2006, and has led the ruling VMRO-DPMNE party since May 2003. He was Minister of Finance in the VMRO-DPMNE government until September 2002. In 1996, he also acquired qualifications for the international capital market from a London Securities Institute. In December of 2006, he obtained a master's degree from the Faculty of Economics at Ss. Cyril and Methodius University of Skopje. Gruevski founded the Brokerage Association of Macedonia in 1998 and made the first transaction on the Macedonian Stock Exchange. In 2014, he won the Order St. Nicholas – Highest Award of Štip and in 2015, he won the Order Baptist (Preteca) from Saint Jovan Bigorski Monastery. He has also been recognized with the Vienna Economic Forum award for contribution to national and regional economic development.

You have been very forthcoming on a number of goals for your administration. What are those priorities and how have they progressed?

The government has five strategic priorities and they are all, more or less, equally important. The first is to realize our plan to join NATO and the European Union, and to find a solution on how to do this without Greece revoking our membership in both organizations.

Our second very important strategy is connected to the economy. We have opened it for new jobs and outside investors, and created a good business climate and a strong general economy with new jobs.

The third one is connected to keeping good internal relations within the country. Macedonia is a multiethnic country and this is very important. This includes the implementation of the Ohrid Agreement signed in 2001 and assisting in the normalization of relations and creating a better atmosphere between the different ethnic communities.

The next one of our priorities is connected with the rule of law and different kinds of

our top priorities is education; not only finding ways to improve its quality but also making education easier and more accessible for all citizens across the country. Connected to this is also innovation, and bringing more of an entrepreneurial spirit to the citizens and, of course, developing many instruments to help do this.

When foreign investors talk about markets that provide opportunity, we don't always hear about Macedonia but you have built a platform that is open for foreign investment. Is that message and the opportunities and stability Macedonia can offer well understood?

We're a country that has political stability and macroeconomic stability. Our growth has been about 2 percent per year over the past 15 to 20 years. We have maintained state debt at 36 percent of GDP and public debt at 43.8 percent. Before 2006, state debt was at 40 percent. We have a stable local currency that is fixed to the Euro; and all other items connected to macroeconomic health are stable.

Over the past two years, we reached the second biggest GDP growth in Europe – 3.8 percent – this year, and the year before as well. I hope this year, we will have some very good results in cooperation with all of the European countries.

One of the most attractive advantages that Macedonia offers is one of the lowest costs for doing business in Europe. When I talk about costs, I mean all costs for doing business starting with taxes and custom duties and going to logistics costs, energy costs, labor costs, and so on.

We have the lowest taxes in Europe. Personal income tax in Macedonia is 10 percent and profit tax is 10 percent. If the profit tax is reinvested, it is 0 percent. We decreased customs and duties, we decreased the contributions to the health and pension funds, and we have taken many other steps connected with decreased taxes, such as implementing a flat-rate tax.

improvements in the quota system and the administration, and in the fight against corruption and criminals.

Additionally, we created free economic zones with a tax holiday in the first 10 years for companies operating there. This is an important advantage.

We're also a small country with two million people within 25,000 square kilometers, but we have free trade agreements with all countries in Europe except Russia. This means everything that is produced in Macedonia can be exported to those countries without paying custom duties. Products produced in Macedonia get the same treatment in any country in continental Europe except Russia.

With this step, we overcame the handicap of small markets, and it's helping us, in combination with low costs and with well-educated people, to be a gateway into Europe. Many companies overseas are buying locations, starting facilities, and cover all of Europe with the products they produce here.

It's also important that we have improved the business climate over the past nine years. In 2006, when we were elected to the government, the World Bank Doing Business report ranked us at the 96th position; today, we are in the 12th position in the world and 6th in Europe. Only Great Britain and the Scandinavian countries are ahead of us in Europe. That is serious improvement.

In the meantime, we have also been one of the top 10 reformers in the world four times and were number three two times, according to the World Bank.

This came as a result of many steps we took. We passed one project involving bureaucratic reform, which made thousands of processes in the country faster or cheaper. We worked together with the Chambers of Commerce and more than 350 companies from different sectors and sizes. We detected all weaknesses in the bureaucracy that they were feeling and eliminated most of them, and we made those that we could not eliminate faster and cheaper to adhere to.

We also changed many things that were disadvantages for our country at the time and made them into advantages. For example, in 2001 and 2002, our Ministry of Finance established for the first time a central register. Today, according to The World Bank, the Macedonia Central Register is number one in Europe, and number 16 in the world.

Another reform relates to the time it takes to create a company. In the past, it took several months to open a company here – today, it

takes four hours for those from anywhere in the world. We also have free Internet and low start-up costs.

We offer the electronic payment of taxes and electronic communications with the custom office, and have 100 percent coverage throughout the country for working electronically with clients. Previously, those were all disadvantages and they are now advantages.

Free economic zones are also interesting to investors. For example, outside of the tax holiday where they don't have to pay personal income tax or profit tax in the first 10 years, there is also no custom duty or VAT for raw materials imported by those companies for the purpose of producing goods that will be exported.

Plus, our latest development, is very low prices – almost free of charge – given on a leasing base of up to 99 years. The government is participating with up to \$560,000 for construction of the facilities and also participates in training workers. We have good infrastructure for companies to come and many have come from the United States, the U.K., Germany, Italy, and others.

We have worked hard to not only increase quality of education but also quantity of people who are highly educated. English language is mandatory from elementary school to high school-plus, as well as one additional world language.



Prime Minister Gruevski and his wife, Borkica

We changed the curriculum in basic elementary and secondary school to where it now includes IT, ethics, innovation, business, entrepreneurship, and other subjects that we believe are important for young people in this phase of development of our country.

We also created a rule in which secondary school is mandatory and free of charge, so all children are going to secondary school. Ninety-nine percent of children are finishing secondary school, which is very important for the measures we created. A very high percentage of people are starting university because we are subsidizing higher education. We decreased the price of university to \$250 per year.

We also translated more than 1,000 books that are used in the top 10 universities in the world and gave them to different universities in Macedonia from all sectors. We invested a lot of money for buying new laboratories for the faculty that are also used for business, not just for scientists.

We put 5 or 6 percent of GDP every year into education. We also have a high percentage of people under 30 – 41.2 percent of our citizens – and those things are helping us attract more investors.

The biggest challenge in the economy is unemployment. When we entered the government in 2006, the unemployment rate was 38 percent – the highest in Europe. Now, after passing through a difficult period with the financial crises, we have decreased it to 26 percent, which is still high but is 12 percentage points lower than at its peak and, most important, every quarter it continues to decrease. I believe these dynamics over the next two to three years will continue to go even lower. The citizens are recognizing this and supporting the politics.

Do you find that these are all tied together – education, entrepreneurial culture, etc. – and that one leads to the other?

Everything is connected. For example, we are offering companies coming into the country and planning to start a facility and hire 300 to 500 workers the opportunity to adopt the curriculum in the last two years of university study according to their necessities to produce more finished students who can immediately have the capabilities needed.

We have to offer good price, good quality of educated people, and a big pool of trained workers, as this is an advantage for companies coming here. As a result, many companies have recently come to Macedonia.

Would you talk about the refugee crisis?

A very high number of refugees are now transiting through our country. At one time, we

were in a position to do something about this and change the strategy. In the beginning, we didn't pay much attention when 500 people passed through our country in one day, but when it rose to 2,000 or more, we determined we must be better organized. We included the army and the police, and people from our health system to provide health services. We created a system that is functioning well now where people who come to our borders are given food and water and medical care. One to two hours are spent on registrations, which provides data we electronically share with other European countries. After that, they are transferring to trains because many want to go to Germany, Sweden, or elsewhere.

For now we are managing. The number now passing through has reached 6,000 every day, sometimes more. We have 10,000 on some days. This year alone, more than 600,000 refugees passed thru the country and we provided humanitarian aid to all of them.

Are there moments when you can appreciate the successes or is it always looking ahead at what further needs to be done?

There are many moments. With the measures we have taken, the percentage of people who are going into higher education has risen – almost 95 percent of those who finish secondary school are starting university. About one-third still don't finish secondary school, which is normal, but 65 percent are finishing. This is a serious advantage for our country to encourage investors to come here.

We have also created other programs for people who didn't have a chance to study at university in the past because they didn't have money or considered it important. We have created programs for people in middle age – 35 or older – where most of the lessons are presented over weekends. Many are now finishing university and taking their newly-gained knowledge and moving ahead in their careers. I have met many people who have thanked me for this opportunity. Many have tripled their salaries.

Did you know early on that public service and government was of interest to you?

I started working at a private bank in the capital. Two years later, I passed all exams necessary to become a broker of the stock exchange when the stock exchange was, for the first time, opened in Macedonia. I did the first transaction on Macedonia's stock exchange in 1996. I didn't have any idea at that time that I would work within government, but it came to this.

As part of your success, you've surrounded yourself with great talent. How important has it been to bring those into government with you?

One of the advantages of this political party is that I'm trying always to bring in the best people. When I formed the government in 2006, more than half of the ministers that my party promoted were not from our party. One third of the ministers of the government today are coming from those who have worked mainly from the U.S. at companies like Microsoft, HP, Siemens, and The World Bank. Working with people who share their good knowledge, experiences and deliver at high capacity is easier and gets good results. ●