



## **Weekly Briefing**

**North Macedonia economy briefing:  
The Pivot to the Economy of the Macedonian Government  
Anastas Vangeli**


### **China-CEE Institute**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: Huang Ping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

# **The Pivot to the Economy of the Macedonian Government**

## **Introduction**

After enduring a prolonged period marked by decreasing public support, the Government of the Republic of North Macedonia (hereinafter Macedonia) led by Prime Minister Zoran Zaev re-calibrated its public relations strategy with what can be dubbed a pivot to the economy. Since coming to power, despite having run on an economic platform in the 2016 elections, the Government heavily prioritized the country's external relations (in particular solving the name issue with Greece) and to a limited extent domestic anti-corruption issues, and referred to economy and economic development only in passing.

While still focusing greatly on foreign policy issues and Macedonia's prospective accessions to NATO and EU, in Summer 2019, Prime Minister Zaev announced that since the international position of the country has been solidified, it has become high time for the Government to shift its focus and energy to the economy; and as he argued, 2019 was supposed to be a year of tremendous economic successes. Zaev doubled down on these initial comments with a bombastic announcement in early August 2019: according to him, the Government was about to initiate an investment cycle worth EUR 5 billion, with the goal for Macedonia to be able to achieve 5% annual economic growth rate by the year 2021, which will speed up the process of catching up with the rest of Europe.

In the following period, Zaev, as well as the Vice Prime Minister in Charge of Economic Affairs, Mr. Kocho Angjushev, toured a lot of production sites and economic zones in the country, lauded the economic performance of Macedonia in the past two years, and made promises for even greater achievements in the future. They met with domestic and international business actors and promised huge inflows of capital in the country. During the period August-September 2019, however, the promotional activities of the Government opened a debate on the economic trajectory of the country. In this paper, we focus on two aspects of these debates: the debates regarding the announcement for a new investment cycle by Zaev and the reactions, and the debates regarding some of the specific ideas for investments and projects to be undertaken as part of the new economic strategy.

## **Debating the EUR 5 Billions**

While Prime Minister Zaev has been gradually announcing a pivot to the economy since Spring 2019, in August 2019 he finally provided more details of his plan to reinvigorate the

national economy. Zaev pledged that the Government has foreseen the investment of about EUR 1 billion into the national motorway infrastructure, over EUR 1 billion in the railway infrastructure, more than EUR 1 billion in energy capacities, including hydro-power and regional pipelines, as well as investment in a number of other projects of public interest, including the construction of a new Clinical Center in Skopje, agriculture and rural development, water treatment plants, waste management capacities, sewage, water supply systems, and public schools.

The announcement for the large volume of investments to follow was framed not as a sharp turning point for the Government's economic policy, but rather as a continuation and stepping up of its previous efforts. For example, the Government has reiterated that it has already greatly invested in the transportation infrastructure of the country, managing to greatly outperform its predecessors (the VMRO-DPMNE governments 2006-2017) in a rather short period of time.

Zaev at the same time made many references linking economic success and the political situation in the country; for example, during one interview in late September Zaev argued that to ensure economic success, Macedonia needs a prolonged period of political stability, including having a government that would manage to complete a full four-year term in power after series of early elections that precipitated instability. In the Government's discourse, at the same time, the narrative of the upcoming economic boom has been closely linked to its foreign policy positions, i.e. Zaev and other Government's representatives have argued that all economic successes are contingent on joining NATO and opening the accession talks with the EU, and that they are greatly aided by the improved relations with the neighboring countries, in the first place Greece.

Nevertheless, Zaev's announcement about the forthcoming investment boom was immediately challenged by the opposition VMRO-DPMNE. They opposition representatives framed the announcement as an empty shell, pointing out that there has been no actual investment time frame nor a corresponding financial plan presented to the public, nor at the time of the announcement was it clarified what the sources of investment will be. They also argued that the SDSM-DUI government has been failing in terms of attracting foreign direct investment (FDI), as the FDI flows in 2019 were several times lower compared to 2018 on a year-to-year basis; and that the Government has systematically failed in implementing strategic investments, pointing out that in 2018 and 2019 the level of strategic investments was lowest since the independence.

While not everyone shared the grim and highly critical views expressed by the opposition, Zaev's announcement that the government will initiate a massive investment cycle

raised several points of discussion in the public debate in the country. One of the most frequent comments by various observers was that Zaev's announcement has echoed previous acts of bombastic promises of investment made by political leaders, which failed to materialize. For example, one of the defining moments of Macedonia's contemporary history has been when Vasil Tupurkovski, the leader of the upstart Democratic Alternative (DA) party during the 1998 parliamentary elections, made a spectacular promise of a USD 1 Billion worth of investment, which was seen as a major factor for the great electoral result of his party, which proceeded to make a coalition with VMRO-DPMNE and remove SDSM from power. The investments that followed never approximated the promised figure, but instead came at a heavy political cost (including the infamous 2000 Taiwan episode and its consequences); legal fallout (as there were charges for corruption related to the case); and a major public disappointment, which led to the political demise of DA. "Tupurkovski's USD 1 billion" has remained a reference to the spectacle and political turbulence caused by his statement itself, which left a huge imprint on Macedonia's future trajectory as a pioneering case of instrumentalization of the discourse of investments. Ever since, this remained a political practice for the following governments. In 2009, the then Prime Minister Nikola Gruevski of VMRO-DPMNE, made the most grandiose of these statements since the independence of the country, promising an investment cycle of about EUR 8 billion – which like Tupurkovski's promise, never materialized. While the VMRO-DPMNE government managed to attract some investments and have limited economic successes while in power, these never even came close to the promises made in 2009.

In this sense, while experts and entrepreneurs have agreed that Macedonia would greatly benefit from massive investments in light of Zaev's announcements, based on the past experiences, the promises made by Zaev were predominantly received with caution. Unsurprisingly, in the public discourse, Zaev's statement was often compared to the ones of Tupurkovski and Gruevski.

### **What do the EUR 5 billion consist of?**

In the period August-September 2019, some details of how the investment cycle will be initiated started to surface. The investment cycle already has covered existing projects. Some of the projects that have been subsequently announced to belong to the new spectacular investment strategy include the Kichevo – Ohrid highway (under construction); Skopje – Blace (tender announced); Gostivar – Kichevo highway (planned); local roads construction in Eastern Macedonia at various stages of planning/implementation; sections of the railway connection with Bulgaria (under construction); the Macedonia – Greece gas pipeline (planned); the hydro-power plant Chebren (planned); and so on.

At the same time, the Macedonian Government has been obviously lacking the resources to pursue many of the planned/desired projects; nevertheless, partially in response to this, Vice Prime Minister Angjushev has argued that the future strategic investments are foreseen to be implemented via private-public partnerships, especially in the domain of energy production and distribution (worth noting is Angjushev's own experience and stakes in the energy sector, although he also has promoted private-public partnership models for other projects and sectors as well). Bringing the private sector in infrastructure investment has therefore been one of the foundational ideas of the Government's new economic strategy.

During the period August-September 2019, there were also other developments that were potentially linked up to the potential investment cycle to take place in the future, that raised numerous debates. Zaev has had a meeting with representatives of the Macedonian diaspora, informing them about the national economic agenda and favorable regulations, and inviting them to invest in the country. This meeting challenged the emerging unfavorable frame of the participation of the diaspora in Macedonia's development. As in the past several years, the mainstream narrative in the country was that diaspora communities have way too much say (in particular, the right to vote in the elections), this meeting restored the idea of the diaspora as a resource of both human and financial capital.

Vice Prime Minister Angjushev has held a number of meetings with potential investors; he has invited Chinese companies to invest in Macedonia, while stressing the importance of respecting the principles of free market competition and transparency, during a meeting with the new Chinese ambassador in Skopje, Mr. Zhang Zuo. During a business trip to the US, Mr. Angjushev has also announced the expected investments by several American technological companies in the country, that will lead to the creation of new jobs for Macedonia's highly qualified workers.

While most of these activities were seen as business as usual and did gain significant attention, there were also more controversial instances. For example, in late August Vice Prime Minister Angjushev on behalf of the Government expressed interest to join the consortium of investors in the Bulgarian nuclear power plant “Belene,” citing that it may be one way to ensure the future energy security of the country. This statement caused criticism on two grounds – first, that instead of investing in its own capacities, Macedonia would invest in Bulgarian capacities; and second, that Macedonia would support the development of nuclear energy in the region, which is often framed as dangerous by media and civil society in the country.

Another example of investment announcement that caused public controversy was the covert (but later publicized) meeting between Zaev and Michael Straumietis (Big Mike), an American celebrity and investor in the cannabis business. Macedonia has been gradually

opening up for the business of legal production of cannabis, with some of the main players in the country being Zaev's relatives. However, Zaev has argued that the cannabis business is a great opportunity for attracting capital from around the world and opening new jobs in the country.

In general, the period August-September 2019 marked an important shift in Macedonia's public discourse, with the economy moving towards the center of the debates. The biggest challenge in the following period, would be, however, the translation of the ideas into practice; and the alignment of the various (often contradicting) positions by the different stakeholders in the process. A rather intriguing development, therefore, has been the revision of the national budget in September 2019 (to be in-depth covered in the next economy paper), with one of the main changes being the reduction of the otherwise already low money foreseen for infrastructure development and other strategic investments.