Globalization and the Economy of Macedonia

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ABSTRACT
Globalization as a social and economic process is present and operates worldwide. In countries where it has greater impact, benefits on that country are greater, while in countries where it has less impact, benefits are smaller. Globalization is present in all areas of social and economic life. However, the main lever that urges it to move forward is economy. Globalization has its pros and cons. Most economists support it because the benefits of globalization are much larger than its harm. Increased international trade of a country, the movement and maximum utilization of capital and foreign direct investment, as well as technology development undoubtedly affect positively the economic growth of a country. In this paper, the influence of globalization will not be treated in terms of its impact on any particular economic sector, but on its reflection in macroeconomic indicators such as: GDP, trade exchange, exports, imports, trade deficit, foreign direct investment, poverty etc. Denial of the globalization success achieved would be unfair and even conservative, although not ignoring the problems that are rightly pointed out by skeptics. Both sides, skeptics as well as optimists are wrong to protect at all costs and exaggerate their thesis. The process of globalization should be studied on scientific, realistic and objective basis. Macedonia cannot be avoided by globalization. With the country's independence, Macedonia's economy opened to the global economy, although the benefits from trade liberalization are not that great. Country with the WTO membership increased its foreign trade exchange, but at the other hand it decorated the relationship between export and import. Lacking competitive goods and services into global market, the country failed to reduce its trade deficit, but rather it has been increasing more and more every year. Globalization has not given its fruits in Macedonia in terms of attracting foreign direct investment. The country ranks among the last ones in terms of attracting FDI. Benefits from increased FDI would be welcomed in Macedonia’s fragile economy, especially in reducing the number of unemployed people, which remains one of the greatest concerns of the country. Guidelines for the benefit of the economy of Macedonia from the fruits of globalization will be the focus of this paper.

KEY WORDS
Globalization, skeptics, optimists, global economy, foreign direct investment

JEL CODES
F65, O24

1. Introduction
Human society has always been target of small and large developments and changes. The pace of social development in different periods of human history has been different. In some
periods, when science and technology were neglected, darkness, the lawsuit and poverty reigned, while the pace of economic development has been small and insignificant. On the other hand, in periods when science and technology have flourished, knowledge, science and technology have dominated, while the pace of economic growth has been high and extremely progressive. "The main losers in today's world full of inequality are not those who are globalized, but those who are left out of globalization" (UNCTAD Conference in February, 2000, as quoted in Norberg).

Development of technology and particularly information technology together with environmental has changed one’s work and life. Productivity and quality of work has increased in every economic sector. Nations’ economies participation and competitiveness into the global economy has become common. Foreign direct investment has invaded the economies around the world, while fluctuation and concentration of financial capital is in staggering amounts. "Globalization is making revolution in how we work, how we live and perhaps more importantly, how we are connected with each other outside the national borders" - says Bill Clinton, the former U.S. president (William J. Clinton, President of USD, Annual Meeting 2000, Davos, Switzerland.

2. Few Words on the Meaning of Globalization

For the last three decades, in the field of social science the topic of globalization has been the most current and yet controversial one. This topic is addressed in numerous scientific meetings, conferences and national and international summits. Ever since, publication of scientific titles and papers dealing with the process of globalization has never ceased, rather they have reached a record number of their circulation. Most of them are highly appreciated by ordinary readers as well as by contemporary critics and scientists. Some of them ("The Lexus and Olive Tree" and "The World is Flat" author Thomas Friedman) were qualified in the "National Bestseller" in the U.S.

Definition of globalization is given by a large number of authors. Essentially, almost all define globalization as a major socio-economic transformation or change. In short, globalization is understood as a transformation of society with emphasis on international trade growth, development of capital markets, expansion of multinational corporations, the development of information and communication technology and increasing interdependence among countries.

Globalization is included in every segment of a contemporary society. It is present in the economy, politics, law, sociology, language, film, culture, music, international relations, communication, etc. Full knowledge and understanding of globalization requires studying and analyzing from different viewpoints, because there are processes that occur in society in many areas. Therefore, globalization is a multidimensional process. "Globalization is not only a process, but also a series of processes that operate simultaneously and unequally on several levels and in different dimensions" (Globalization, Manfred B. Steger, Oxford, 2003). A number of authors say that in globalization the economic process precedes other social processes. "The dynamics of globalization is driven by economic forces, but its most active effects are felt in the field of politics" (Klaus Mueller).

The theoretical basis of globalization is the economic theory based on neo liberalism which means it is a dynamic process of society which has its own aim of international goods and services liberalization. Economic globalization is characterized by the free action of corporate outside national borders with their main purpose of maximizing profit.
3. Division for and Against Globalization

Regarding globalization as a social and economic process, there are numerous opinions. Many support this process, but there are others who criticize it. Generally, two categories of thoughts dominate. One is the category of skeptics, while the second category is that of optimists. The opinions of these two parties were contradictory and often with harsh criticism. One side discusses with enthusiasm for globalization. They watch the development of globalization with full of hope for the future and perspective of the world development. The other side talks with concerns about the future of the world.

Skeptics defend their opinion by saying that economic globalization does not differ at all from the period of capitalist economic system. They believe that globalization is only an ideology propagated by the owners of large companies. Skeptics are against market liberalization and they say it is harmful for economies of underdeveloped countries. Critics are even tougher to multinational companies that damage the economy of host countries. The state’s role in the economy of a country should be substantial. Skeptics side against globalization give a number of critics such as: the disparity between people and deepening of the gap of economic development among countries, disproportional distribution of international division of labor, unequal distribution of global income, high number of the poor, loss of sovereignty, loss of national culture, conflict of civilizations, increased number of unemployed, capitalist exploitation and environmental pollution, deterioration of human living standards, barrier to progress on social protection, appearance of corruption in society etc.

Opposing skeptics, the optimists are distinguished by their theory and say that the world economy is characterized by a New World Order and globalization it is a fact, a reality. They give their arguments in favor to the role of the market. They argue that the world trade during the past two decades has reached the highest level of goods exchange, while nations’ boundaries show almost no obstacles. Nations’ borders have a symbolic role in globalization, while there is no dilemma that it will enable prosperity and growth of the human welfare. The advantages of globalization are visible: it is the key to world economic development, capital, and expansion of multinational companies is more important than the economic growth of countries; private property is the only form of ownership, while profit is the main goal. Globalization optimists say that the economic benefits from the Internet are great. E-commerce has encouraged not only development of international trade, but also the economic development in general. Some authors consider it as one of the greatest technological revolutions lately. There is opportunity for revenue growth in the global market. Both sides participating in the trade are winners (win-win game). There is opportunity of reducing costs by producing in countries with "low costs". International trade is affecting the world peace.

Pro-globalization arguments are based on: growth of world trade exchange, increased revenues from international market, increased living standards and welfare worldwide, reduced production cost, mass production, exploitation of economies of scale, etc.

In general, economists are in favor of globalization. They support globalization for many reasons, but there are a number of those against globalization. In addition, there are economists who support globalization, but with their remarks.

From this we can draw a conclusion that globalization has its advantages and disadvantages. It has "good things" and "bad things". Denial of achievements in globalization would be conservative, even counterproductive, but the problems rightfully pointed out by skeptics should not be overlooked. Both sides, skeptics as well as optimists are wrong in
protecting at all costs and overstating their opinion. The process of globalization should be studied scientific, real and objective basis. Any aim that is to be easily imposed by all means can easily be transformed into an ideology. There have been such efforts on both sides.

4. International Trade and Country Economic Development

Liberalization of international trade is one of the main determinants of globalization. International trade is as old as its existence is the border between nations. Since the ancient times, especially during the dominance of the concept of Mercantilism, trade was regarded as the main economic activity that enriches and strengthens the economy of a country. There are various opinions of economists in terms of interdependence between foreign trade liberalization and economic growth. Almost all agree that economic growth of a country depends enough on the openness of the domestic economy against the global economy. Many share the opinion that the system of free market economy along with international trade are among the main levers of economic development. To date, there are no economists who support the idea that economic growth is fueled by isolation of the country's economy; rather there are numerous arguments from which we understand that isolation negatively affects economic development.

Growth of international trade has a positive impact on economic growth of a country and in various forms. Countries that trade are likely to be introduced by external partners with the highest achievements of technology which they can utilize, too. Developing countries can boost their economic growth by adopting innovations of developed countries. So, trade liberalization can stimulate innovation, technology, investment in R&D, learning of technological processes, etc. Foreign trade increases competition, from which consumers benefit in terms of better choice of products and services and even cheaper prices. Likewise, domestic companies selling abroad are likely to increase their income, increase the number of employees and reduce the cost of life.

Scientific study of two professors at the University of Hardward, Sachs and Warner show those developing countries during the ‘70 and ’80 had opened their markets to the world and they had an average economic gain of 4.5%, while the closed economy was only 0.7%. They also stated that developed countries with open economies have an economic growth of 2.3%, while the closed ones had only 0.7%. (Sachs & Warner, 1995).

5. Integration of Macedonia in the Global Economy

Macedonia, like many other countries in its development policy, its main priority is accession in the Euro-Atlantic structures as well as development of international trade. However, discussion/sayings in most cases remains a rhetoric, while the situation and daily operations remain far from the wishes and promises. Macedonia’s economy today faces many social and economic problems, while the process of integration has no progress for years. In recent years, Macedonian economy has stagnated more than showing progress and development. In the exchange trade, it has failed to reduce the trade deficit of balance of payments. In contrary, every year it marks record trade deficit, even beyond the figure of two billion dollars.

According to all polls and surveys conducted up to now, the vast majority of the population supported membership and Macedonia's integration into the global economy and regional integration. Today, it is clearer to everyone that the country’s integration represents one of the main conditions in the economic growth of a country.

In this regard Macedonia managed to earn the status of EU candidate country in 2006 and in this framework to prepare for NATO membership. Such positioning obligated Macedonia to
make a series of harmonization with EU regulations. Establishment of Free Trade Zone within the Western Balkan countries is no longer just an idea, but a process that become a reality. Such step fostered enough trade exchange growth, attraction of foreign direct investment and economic development in these countries. Establishment and functioning of CEFTA is a good experience from which we are informed that member states of such an integration benefit considerably in trade growth, FDIs and economic growth. SEEFTA (Southeast European Free Trade Area) will surely be a precondition for membership of Western Balkan states. Within this integration, it is expected that besides exchange of goods, subject of agreements to be the service sector, intellectual property and protection of intellectual property law. Functioning of such integration would be a good image for the respective countries, while foreign investors’ confidence would grow.

Macedonia is a signatory of CEFTA. CEFTA represents a forum of former socialist countries that show interest to intensify relations among themselves. Most members of CEFTA are already members of the European Union, therefore, the weight and importance of this association is reduced recently. A concrete step towards the integration of Macedonia with the EU is undertaken in the case of visa removal as a serious barrier. In February 2008, representatives of Macedonia started negotiations with the EU Commissioners for the removal of visas to members of this integration. Successful implementation of reforms and fulfillment of the required criteria for this purpose resulted in December 2010 that Macedonian citizen freely, ie without a visa, to travel to the Schengen Agreement countries. This fact enabled businessmen, professors, researchers with Macedonian citizenship to meet, talk and collaborate without barriers with their counterparts in most Western European countries.

Macedonia made the greatest step towards its integration into the global economy in the case of membership within the World Trade Organization. This took place after long and selfless activity and work during April of 2003. Membership in this organization has many advantages and benefits, but yet the responsibilities and obligations are not small.

Macedonia signed in this period too a number of free trade agreements with neighboring countries. Such agreements have included the complete elimination of all customs and other quantitative restrictions on trade between the contracting parties. Apart from full liberalization, these contracts have provided the regulation of many other issues such as: technical barriers to trade, sanitary and phytosanitary measures, regulation of goods origin, antidumping and compensation data, protective measures of import growth, public procurement, etc.

One of the main priorities that was and continues to be in Macedonia’s policy, undoubtedly, is its membership in Euro-Atlantic structures. Although in the early years of this millennium commitment and implementation towards this goal was as forecasted, later on it stopped and Macedonia, from the country which was ahead compared to all neighboring countries, today it has remained far ahead. Macedonia made application to acquire the candidate status since 2004. In 2005, it gained the status of candidate country, but since that time, Macedonia fails to gain the status of equal member country, while the main obstacle appears the dispute with one of the southern neighbors.

6. Economic Growth of Macedonia more of Stagnation Rather Development

Macedonia's economy from its independence until today has had different rates of economic growth. The path of economic development has been characterized by various zigzags in the twenty year period. Few years of this period has had positive results in the economy, while
several other years have been difficult years for the economy, even associated with economic crisis. In this regard, we should remember two most difficult moments: the embargo imposed by the southern neighbor and the 2001 armed conflict. In fact all of this period is known as the period of transition that began in the early nineties and still continues as an unfinished process.

Regarding the trend and level of economic development, there are different estimates. Within the various voices there are those that say that country's economy has not scored any notable success since independence, and the same ones even say that the economy is not in the level before Yugoslavia’s dissolution. Despite this, the other side's assessment is positive, even categorical in its optimism, emphasizing that in the twenty years of independence, the country has achieved a lot in terms of economic development which in turn has affected the quality and living standard increase.

If we refer to the statistical data, we can observe that the value of GDP increased undoubtedly in the period of independence. GDP was 2316 million USD in 1992, while it manages to be 9565 million USD in 2011. However, this growth has had its own characteristics through the years. Thus, in the first two years of independence, Macedonia has a decrease in GDP and the negative index goes up to 6% of GDP. In the following years there is a slight increase, but that is not sufficient for the recovery of the economy. Year 2001 again ends up with a reduction of GDP. Only in the years 2002 - 2008 there is a more significant increase, while after this years, GDP recorded either a negligible growth or small decline.

![GDP (current US$)](image)

**Source:** World Databank, 2012

**Figure 1. Macedonia’s GDP for 1992-2011**

The above-mentioned findings may also be confirmed with the GDP growth rate in the same period. The average growth rate of Macedonia in the period of twenty years is 1.9% that represents one of the lowest in the region. This average rate lags behind the predicted long-term average rate. Such economic growth, with not a high rate has not been good enough to give a push to country's economic development; therefore, it has not resulted with a sustainable economic development as other Western Balkan countries. Higher rate of economic growth would certainly open new places of work and would increase further the GDP per capita. Current GDP per capita of Macedonia is $4,460, while the average GDP per capita of EU countries is $32,311. This means that a citizen of RM spends 7.5 times less funds than one member of the EU.
for a year or in other words, an EU citizen’s standard of living is nearly eight times higher than that of Macedonia. If we compare GDP per capita of Macedonia with the average GDP per capita at the world level for 2010, the world rate is still higher ($9.228) that means that a global citizen’s standard of living is two times higher than that of Macedonia.

7. Development of Foreign Trade – The aim of Macedonia for the Future

Similarly, as most of the world considers international trade is important to the overall development of the economy, Macedonia also considers the international trade sector as an indisputable priority. Almost all governments since its independence until today have realized the benefits that can be realized from international trade and above all the biggest benefits are: quantity and greater quality of goods and services offered to customers, increased welfare, technology development, increased research and scientific research, etc.

The exchange of goods of Macedonia without a doubt is following the global economic trends. In 2011, the country scored the highest scores reaching the volume rate of $10,830 million. This amount in the next year declined and it continued for the next two years. Only in 2011, this figure was overcame and it reached a record high of $11,462 million. This exchange of foreign trade registered an increase of 33.5% in comparison with base year 2007.

Table 1. External trade scope of Macedonia, 2011 (in million USD)

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<tbody>
<tr>
<td>Exchange Volume</td>
<td>8.583</td>
<td>10.830</td>
<td>7.734</td>
<td>8.753</td>
<td>11.462</td>
<td>133.5</td>
</tr>
<tr>
<td>Export</td>
<td>3.356</td>
<td>3.978</td>
<td>2.691</td>
<td>3.302</td>
<td>4.455</td>
<td>132.7</td>
</tr>
<tr>
<td>Import</td>
<td>5.227</td>
<td>6.852</td>
<td>5.043</td>
<td>5.451</td>
<td>7.007</td>
<td>134.0</td>
</tr>
<tr>
<td>Trade Deficit</td>
<td>1.871</td>
<td>2.874</td>
<td>2.352</td>
<td>2.149</td>
<td>2.552</td>
<td>136.4</td>
</tr>
<tr>
<td>Import/Export Ratio (%)</td>
<td>64.2</td>
<td>58.06</td>
<td>53.4</td>
<td>60.6</td>
<td>63.6</td>
<td>99.1</td>
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</table>

Source: Statistical Office of Macedonia

Participation rate in the structure of export trade in 2011 represent an increase of 32.7% compared to the base year. Participation rate in the structure of export trade in 2011 was 38.9%, while the same was 39.1% in 2007. This shows that exports in this period of analysis has a slight and insignificant fall. On the other hand, the share of imports in the overall trade exchange also marks a slight increase of 0.2% in 2011 compared to 2007. Imports accounted for 60.9% of trade exchange in 2007, while the same is 61.1% in 2011. This structure of trade exchange with foreign countries where the export represents only a third of the exchange shows that the structure of trade exchange of the country in general is not favorable, even though there was a slight improvement in 2011. Import coverage to export amounting 63.6% in 2011 compared to base year that was 64.2%, is also too small and there is not much improvement in this regard.

In 2011, exports managed to reach the amount of $4,455 million, while imports in the same year amounted to $7,007 million. Both simultaneously represent a record high that the Macedonian economy has achieved so far.

During 2007-2011, Macedonian firms mostly exported: chemical products, animal and vegetable oils, iron and steel products, ferro nickel, tobacco, beverage, textile products, processed oil and cars and transport equipments. Although, last year marked an advancement of export compared to previous years, yet export is still very low. The main causes of this situation are: the unfavorable structure of the export economy that Macedonia has the global economic
crisis and reduced demand for products in international market, etc.

For several years, Macedonia has been recording a trade deficit with foreign countries. For the problem to become more serious, the deficit is increasing more. If the exchange volume rate would be greater, then surely this figure would be even greater. In addition, we should note that if the world market price of oil would be higher (Macedonia is a major importer of this production), the deficit would probably be much higher.

Figure 2. Export and Import of Macedonia for 2007-2011

![Export and Import of Macedonia for 2007-2011](image)

Source: World Databank

Trade deficit of 2011 grew by 18.8% compared to the same indicator of 2010 that amounted to $2.149 million. Trade deficit of 2011 reached $2,552 million and it represented 22.3% of the overall exchange, while the same indicator of 2010 reached $2.149 million representing 24.5% of the overall exchange. From this, it is obvious that participation in foreign trade deficit in 2011 compared to participation in foreign trade deficit in 2010 declined by 2.2%. Even though, it is positive, this decrease of the trade deficit does not follow the pace of growth of overall trade exchange that is 30.9%.

Table 2. Export and Import Participation in Macedonia’s GDP for 1998-2010 (in %)

<table>
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<tr>
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<th>'98</th>
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<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export of G&amp;S (% of GDP)</td>
<td>41.2</td>
<td>42.2</td>
<td>48.6</td>
<td>42.7</td>
<td>38.0</td>
<td>37.9</td>
<td>40.2</td>
<td>44.7</td>
<td>48.1</td>
<td>53.2</td>
<td>56.0</td>
<td>39.0</td>
<td>47.0</td>
</tr>
<tr>
<td>Import of G&amp;S (% of GDP)</td>
<td>56.1</td>
<td>52.2</td>
<td>63.5</td>
<td>56.6</td>
<td>58.2</td>
<td>54.8</td>
<td>60.5</td>
<td>62.0</td>
<td>66.8</td>
<td>72.2</td>
<td>77.3</td>
<td>61.0</td>
<td>66.0</td>
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</tbody>
</table>

Source: World Bank

It is obvious from the above table that the share of exports to GDP in Macedonia has been increasing for the period of 1998-2008. This participation reaches 47% of the country's GDP at the end of 2010. The indicator in question shows us that the economy of Macedonia recently has been open to the global economy, although the last two years have had a decline. A more convincing confirmation is the second indicator in the same table; the share of imports to GDP which ranges from 56.1% in 1998 to 66.0% in 2010.
8. Regarding the FDIs Macedonia is last in the Region

If we compare foreign direct investments that were realized in recent years in Macedonia with FDIs in the region, we will see that it keeps the last place. This is despite the efforts and commitment that the government of Macedonia has been doing for years. Reasons for this situation are numerous, but it is an undisputable fact that Macedonia is not a suitable place for foreign investors. Although, the official representatives cast the blame to the global economic crisis, especially that in the euro zone, reality is different, because other countries of the region are realizing much greater investment volume. Real reasons must be sought in: the rule of law, public administration professional development, creation of normal conditions for security of investment, development of infrastructure and facilitating business development in the country.

Table 3. Participation if FDI in Macedonia’s GDP for 2000-2011

<table>
<thead>
<tr>
<th>Years</th>
<th>'00</th>
<th>'01</th>
<th>'02</th>
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<th>'06</th>
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<th>'08</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
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<tbody>
<tr>
<td>FDI(mil)</td>
<td>152</td>
<td>449</td>
<td>77</td>
<td>80</td>
<td>157</td>
<td>115</td>
<td>350</td>
<td>331</td>
<td>356</td>
<td>145</td>
<td>221</td>
<td>303</td>
</tr>
<tr>
<td>% GDP</td>
<td>4.2</td>
<td>13.1</td>
<td>2.0</td>
<td>1.7</td>
<td>2.9</td>
<td>2.0</td>
<td>5.3</td>
<td>4.0</td>
<td>3.6</td>
<td>1.5</td>
<td>2.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*Source: World Databank*

The table clearly shows that the highest recorded FDI in Macedonia has stagnated for years. It does not follow the regional trend of the region and their low participation in the country's GDP significantly affects the pace of economic growth. Only in 2001, the share of FDI in Macedonia has been over 10% of the country's GDP. Other years this number has always been one digit.

Figure 3. FDI Trend in Macedonia for 1997-2010

The growth in FDIs and improvement of this situation was not managed even after the announcement of eleven free economic zones. Currently, only two or three serious companies perform their activities in these zones, while most of them resemble the empty meadows. Unfortunately, even with these small numbers of FDI-s, there is unfavorable structure. Investments of so-called "green field" are even smaller. Host country benefits from this type of FDI are higher and they serve as incentives for economic development. Attracting foreign investment and being attractive to foreign investor requires, above all, to build the rule of law, to increase labor productivity, labor skills and innovation, then to liberalize the economy.
and build a good international image of the country.

- Causes of such a small investment FDI in Macedonia are numerous, but the most important ones are:
  - Insufficient progress in implementing structural reforms of the economy: in Macedonia, the structural reforms of the economy are still stagnated.
  - Lack of proper functioning and alignment of justice: a large number of court cases are dragged and end up with a long epilogue. Such a situation gives the impression of non-functioning of constitution and law. Foreign investors fear about the status of their property if they invest in Macedonia.
  - The presence of organized crime and corruption: the phenomenon of corruption and organized crime is quite present in the country.
  - Lack of security and unstable political situation: Macedonia since its independence is faced with the problem of insecurity and political instability. In the starting years wars took place around the neighborhood, which inhibited foreign investors to invest in Macedonia. Political instability has permeated even more with the unstable domestic situation that ended up in the ethnic conflict of 2001 between Albanians and Macedonians. This political situation has refrained foreign investors and has had a direct impact on the low level of FDIs’. Even after signing the Ohrid Agreement, Macedonia is in the most unfavorable situation in the region concerning FDIs.
  - Market size: Macedonia is not a large market for foreign investors. This makes the country an unattractive place for foreign investors. Foreign investors prefer large markets to lunch larger quantity of goods. Macedonia has been trying to overcome this handicap by signing free agreements with its neighbors.
  - The use of Internet in Macedonia is very well present even at public administration. Thus, a large number of communication activities are carried out through Internet. In particular, it should be noted that the waiting time for company registration is reduced to four hours according to the recent data from the Government representatives.

9. Conclusions

The dissolution of the FRY and the separation from the Yugoslav system deteriorated more the Macedonia’s economy. Macedonia, for years, even in this community continuously was having declining GDP, negative trade balance, increased number of unemployed, old and depreciated technology, and decline in people’s welfare and standard of living. Macedonia's economy was mainly dependent on the common Yugoslav market. Almost 75% of the economy was focused on producing raw materials for production capacities of the other republics, with greatest emphasis on colored metallurgy industry, textile industry and chemistry. Nearly a quarter of Macedonia's export then was in textile products, while 1/5 was in iron and steel selling.

After 2000, Macedonia’s economic structure went through some small changes that were insignificant and did not affect the economy’s improvement. So, even in 2011, it has a structure that looks like this: 9% represents agriculture, 30% belongs to industry and the remaining 61% represents services. Due to this reason, most economists consider the unsuitable structure of the economy as one of the main reasons for the small growth. In addition, there has been a long time since the country has had adequate investment in human capital resulting in migration of the "brain" abroad.

Macedonia marked good results in foreign trade during the year of 2011. After the fall of
trade exchange in 2009, two years Macedonia marks increased trade exchange. This increase is evident in the general exchange of goods, exports, imports of goods and the import/export index. It is a disturbing fact that the structure of imports shows that domestic companies do not import raw materials and other materials to reproduce as well as machines. Unfortunately, 2011 showed that perennial problem of trade deficit again reached very high proportions. The latter is a signal that warns of the danger that the country’s economy is having and will have in the future.

Regarding FDIs, for years Macedonia ranks last in the region. The country is not able to attract sufficient amounts of FDIs for many reasons. Especially, the weakest points are: low productivity of labor, the small number of innovations, insufficient liberalization of international trade, poor management of macroeconomic policy and the need for improving the country’s economic structure.

Macedonia ranks among the poorest countries in the region with the poverty index about 31% of the population. This coefficient shows that a third of Macedonia’s population is poor. The unemployment rate in the country remains a major concern for our society, because it increased since by 1991 (14%) and continues to always be not less than 32%. This is a figure shows what Macedonia is characterized by a large army of unemployed citizens.

According to the 2011 Report of the Swedish Institute Index of globalization Macedonia was ranked 65th out of 156 countries. The overall index of globalization was 62.04 with best ranking in the economic area, where the country ranked 53rd, and the worst in the political area, where the country ranked 153rd.

From what was stated above one can realize that globalization in Macedonia is not much even in sectors where the economy is involved. It could not utilize enough the benefits of globalization. Macedonia’s economy often closes to protect itself from foreign competition. On the other hand, domestic goods and services are not up to the quality of competing in the global market. Domestic enterprises attention is not enough on innovation and expansion of goods and services variety. Exports still has not taken the place it deserves in the economy.

Macedonia should focus on certain segments to have sustainable economic development in the future, to move forward and benefit from globalization. Some of the measures to be taken include: leading the policy of more open economy, leading the policy of attracting foreign direct investment especially Greenfield and export-oriented sectors, utilization more rationally the European funds.

References
8. World Bank country, Data for Republic of Macedonia.