



FOURTH ANNUAL ACADEMIC RESEARCH CONFERENCE ON EUROPEAN INTEGRATION

**EUROPE
IN
CRISIS:

THREATS
AND
OPPORTUNITIES**

Skopje, 29 May 2009

UNIVERSITY AMERICAN COLLEGE SKOPJE, MACEDONIA
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University American College Skopje
Treta makedonska brigade bb, 1000 Skopje, Macedonia
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Fourth annual academic research conference on European integration
EUROPE IN CRISIS: THREATS AND OPPORTUNITIES
Skopje, 29 May 2009

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EUROPE IN CRISIS: THREATS AND OPPORTUNITIES
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BOOK OF ABSTRACTS

**Editor: Dr. Ivan Dodovski
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Skopje, 29 May 2009

Europe in Crisis: Threats and Opportunities

Fourth annual academic research conference on European integration

Welcome to the Europe in Crisis: Threats and Opportunities conference

This conference will focus on the current global crisis and its consequences for the future of European integration. The underlying assumption is that such a crisis poses threats to existing structures, values and achievements, but also offers opportunities for critical reassessment and improved solutions to exigent problems.

Approximately 30 papers will be presented at this conference by participants from more than 11 countries. They will address such questions as:

- What impact does the economic downturn have on international relations and the process of EU integration in particular?
- What kinds of business strategies should be adopted for economies in the downturn?
- Are interventions in the financial sector sufficient to prevent further instability?
- Does a crisis of this magnitude trigger critical reconsideration of the idea of a European Union?
- How can political, social and cultural considerations contribute to comprehensive solutions towards a new European reality?

As the hosting academic institution of this conference, we aim to explore the contribution that academia can make to catalyse an adequate response to the crisis through dynamic discussions with the papers' presenters.

Come join us for a unique academic conference and the beginning of an important dialogue about the future of Europe!

Dr. Marjan Bojadziev, UACS Provost

Europe in Crisis: Threats and Opportunities

Fourth annual academic research conference on European integration

University American College Skopje is proud to organize the fourth annual academic research conference on European integration

EUROPE IN CRISIS: THREATS AND OPPORTUNITIES

29 May 2009, Skopje, Macedonia

This inter- and multi-disciplinary one-day conference seeks to explore the current global crisis and its consequences for the future of European integration. The underlying assumption is that such a crisis poses threats to existing structures, values and achievements, but also opens opportunities for critical reassessment and improved solutions to exigent problems. As the hosting academic institution of this conference, we aim to emphasize and explore the contribution that academia can make to catalyse an adequate response to the crisis.

Conference program

9:00-9:30 Registration

9:30-10:45 Opening session

Opening address: His Excellency Mr. Bernard Valero, French Ambassador to Macedonia

Key note: Mr. Juan Carlos Fernandez Zara, Regional Program Manager of IFC Corporate Governance Program in Southern Europe

Master of ceremony: Dr. Clarisse Molad, UACS Vice Dean

10:45-11:15 Coffee break

11:15-13:00 Parallel working sessions

Academic track I: Economics

Academic track II: Finance

Academic track III: Social Sciences

13:14:00 Lunch

14:00-15:30 Parallel working sessions (continued)

Academic track I: Economics

Academic track II: Finance

Academic track III: Social Sciences

15:30-16:00 Closing session

Summaries, Q&A

Program of the working sessions

Academic track I: Economics

Moderator: Dr. Clarisse Molad (Macedonia, USA)

Rapporteur: Dr. Charalambos Tsardanidis (Greece)

Introductory remarks: Mr. Ljupco Zikov, President of the Board of *Kapital Magazine* (Macedonia)

Dr. Steven Ekvovich (France):

The European Union and the United States: Lessons Learned from Shared Prosperity and Shared Crises

Dr. Evica Delova Jolevska & Nada Ciriviri (Macedonia):

FDI and the Ongoing Economic and Financial Crisis

Dr. Slobodan Cerovic, Dr. Pero Petrovic, and Sladjana Batic (Serbia):

The Effects of the World Financial Crisis on the Serbian Economy

Dr. V.S. Gajavelli (India):

Euro-zone, Emerging Markets and Global Economic Integration – A Study of Opportunities and Threats in the Context of the Current Financial Crisis

Dr. Clarisse Molad (Macedonia; USA):

The Economic Crisis Implications for Energy Sector's Investments in the Western Balkans

Alketa Vangjeli, PhD candidate (Albania):

The Impact of the Global Economic Crisis on Albanian Foreign Trade

Nada Krypa, PHD Candidate (Albania):

Europe in Crisis: Does the Crisis Create Opportunities for Balkan Countries, Especially for Albania?

Snezana Hristova, MSc (Macedonia):

Local Economic Development in Macedonia in the Context of the Global Crisis

Bojan Georgievski, MBA, and Emily Nikoloski, MBA (Macedonia):

The Threat of Financial Crisis to Emerging Markets in Europe

Viktor Gjorgjieski, MA (Macedonia):

Arguments for and against Neoliberal Economic Systems and the Way to Solve the Current Economic Crisis in Europe

Academic track II: Finance

Moderator: Dr. Ivan Dodovski (Macedonia)

Rapporteur: Dr. Gaspar Biro (Hungary)

Introductory remarks: Ms. Aleksandra Nakeva-Ruzin, Operating Director, MPPM CEO
Eurolink Insurance Inc. Skopje (Macedonia)

Dr. Marjan Bojadziev and Marija Barishin, MBA (Macedonia):

The Banking Sector in a Crisis

Dr. Evgeni Zografski (Macedonia):

Impact of the Financial Crisis on the Macedonian Securities Market

Dr. Tome Nenovski and Elena Makrevska (Macedonia):

Influence of the Economic Crisis on the Exchange Rates of the Countries from Eastern and Central Europe

Ancuta Popa, PhD candidate (Romania):

Financial Crisis in the New Member States Jeopardising the Euro-Zone Entry

Alberto Gomez, M.Sc. & MBA (Spain):

The International Financial Crisis and its Impact on the Spanish Economy

Radica Dishlieska, MSc (Macedonia):

Global Financial Crisis Effects on the Process of Securitisation in US and European Capital Markets

Ilijana Petrovska, MSc, Milica Todorovska and Ljupka Naumovska (Macedonia):

How the Crisis Influenced Advertising in the Financial Institutions

Ivana Tomovska, MA (Macedonia):

Securitization of Global Economy: Sector Analysis and Future Prospects

Ekaterina Fabian, MA (Moldova):

Crisis Theory: What Do We Know? What Do We Need to Know?

Ergin Ismail (Macedonia):

Global Financial Crisis and its Impact on the Balkans

Academic track III: Social Sciences

Moderator: Dr. Jovan Pejkovski (Macedonia)

Rapporteur: Dr. Sándor Petho (Hungary)

Introductory remarks: Mr. Ilijanco Gagovski, President of the Board of AMCHAM (Macedonia)

Dr. Ninko Kostovski (Macedonia):

The Advantage of Industrial Clusters in a Prolonged Economic Recession

Dr. Nasir Selimi and Husein Huseini, MA (Macedonia):

How do Macedonia and Turkey Deal with the Global Economic Crisis? What Steps are Taken and Should be Taken?

Dr. Jovan Pejkovski (Macedonia):

Social Aspects of the Economic Crisis – Threats to and Opportunities for the European Union and for the Republic of Macedonia

Imelda Sejdini, PhD candidate (Albania):

Poverty Risks in Albania, as a Country in Decelerating Growth, Exposed to Current Economic Crisis

Albana Madhi, MA (Albania):

The Effects of Global Crisis on the Poor Classes in Albania and the Politics of the Government in their Defence

Ekrem Eddy Güzeldere, MA (Turkey):

Turkey-EU Relations in a Time of Economic Crisis

Miodraga Stefanovska, MBA (Macedonia):

Talent for Managing Talent in an Economic Crisis

Aleksandar Dastevski (Macedonia):

EU Enlargement and the Financial Crisis

Igor Hristov (Macedonia):

Economic Crisis and IT sector – Threats and Opportunities for the Macedonian IT Companies

Academic track I: Economics

Moderator: Dr. Clarisse Molad (Macedonia, USA)

Rapporteur: Dr. Charalambos Tsardanidis (Greece)

Introductory remarks: Mr. Ljupco Zikov, President of the Board of *Kapital* Magazine (Macedonia)

Biography

Ljupco Zikov is the editor in chief of *Kapital*, the only financial weekly in Macedonia with both political and business coverage, a position he has held since 1999. He runs regular commentaries in his paper on economic issues. Mr. Zikov also serves as executive director and chief editor of Alfa TV, a private satellite station in Macedonia. He is also the founder of the Total business web portal. Prior to *Kapital*, Mr. Zikov was deputy editor of the news desk and editor in chief of the economic desk at *Makedonija denes* daily, and, before that, a reporter and editor of the economic desk for *Dnevnik*. He previously worked as a journalist with MTV (Macedonian national radio and television) for five years.

Dr. Steven Ekovich

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The European Union and the United States: Lessons Learned from Shared Prosperity and Shared Crises

America's close economic relations with Europe have a very long history. In fact they are older than the United States. In the 17th and 18th centuries, the commercial ties of the American British colonies to European economic centers were stronger than those between the colonies. Boston, Massachusetts was economically closer to London than it was to Charleston, South Carolina. The United States as an independent nation suffered its first recession in the years between 1797 and 1800, and it is revealing to note that it was caused primarily by the deflating effects of the Bank of England. But even as the American national market grew, it remained closely tied to European markets. By the second half of the nineteenth century as America industrialized, its prosperity increasingly depended on its commercial and financial ties with Europe. It was largely British capital, for example, that financed railroad building in the United States. But this required that the federal government provide free land and other assistance to the railroad companies. This is only one example in the long history of mutual support and dependence of the American government and American and European business enterprises. For example, the 1870s recession, also known as the Panic of 1873, was caused primarily by economic problems in Europe. This trouble brought about the failure of the American bank Jay Cooke & Company, which at that time was the largest in the United States. The panic of 1893 was brought about by the failure of the United States Reading Railroad. The failure prompted European investors to withdraw their investments, leaving the U.S. financial system in tatters. The recession of 1926, which lasted 13 months, was precipitated by a British coal miners' strike that turned into a general strike, weakening the British economy and impacting the American economy. Of course, the Great Depression was worldwide in scope and dramatically demonstrated the interdependence of all economies. These are just some examples of the intertwining of European and American economic crises. What generations of American economic policymakers learned was that all forms of protectionism, whether they are tariffs, quotas, currency controls, or other non-tariff barriers, were all prejudicial to American prosperity. Furthermore, as the post World War I Dawes and Young Plans showed, and the post World War II Marshall Plan demonstrated, Americans were prepared to move capital in large doses to fragile post-war European economies in order to restart shared transatlantic prosperity. At the same time, Americans exported their regulatory institutions and economic recovery approaches to Europe and elsewhere. American solutions were adopted by Europeans because Europe and the United States had become a single economy – which is why American foreign policy has always fundamentally supported European integration.

Biography

Steven Ekovich earned his PhD at the University of California and has taught in France at the Ecole Polytechnique, HEC, Sciences Po, St. Cyr, the Sorbonne and the French Foreign Ministry. He is currently a professor at The American University of Paris in the Department of International and Comparative Politics and the Department of History. He is a graduate of the l'Institut des Hautes Etudes de Défense Nationale (the French War College). He was a Senior Fulbright Professor at the Tunisian Foreign Ministry. He has worked as a journalist, political analyst and commentator for newspapers, radio and television. He has been a lecturer and consultant in many countries in Europe and Africa. His publications deal with American politics and foreign policy.

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FDI and Ongoing Economic and Financial Crisis

The financial and economic crisis, which had worldwide repercussions in 2007, had begun to take its toll by mid-2008. The pointing recession has simultaneous mixed impact on FDI flows. The question is whether such effects are also being experienced in developing economies, in particular those where there is strong and growing demand for FDI. The fact that economic growth of these economies has remained resilient suggests that this may not be the case.

FDI inflows to the Central East European Countries will face a setback in 2008 in all parts of the region, after the continuous expansion in 2004 through 2007. Lower FDI flows to CEECs have to do with the global financial turbulence, the declining rate of economic growth in Europe and domestic problems within some of the countries.

Due to the impact of the ongoing worldwide crisis, FDI flows could decline by more than 20 percent in 2008. A further decrease in FDI flows can be expected in 2009, as a result of growing investment expenditures.

A further challenge to FDI growth depends on available capital for investors. The lending policy of banks being more cautious now than before, investors are facing more expensive financing through bank credits. The global financial turbulence had negative effects on countries, which are indebted or run a high current account deficit. These, along with long-term effects concerning the difficulties and higher costs of obtaining credit, are also affecting FDI flows.

Recession in the developed countries, which are the traditional Macedonian foreign trade partners, is expected to have a significant consequence on the external sector of the Macedonian economy. The financing of the current account deficit, under the crisis circumstances, is expected to be a combination of FDI and trade credits. Still, considering low international financial liquidity, uncertainty regarding the amount and structure of capital transactions in Macedonia is extremely high.

Key words: crisis, financial, economic, FDI, developing countries, recession and investment.

Biography

Evica Delova Jolevska holds a PhD in the field of banking from The St. Cyril and Methodius University Skopje. At the School of Business Administration at University American College she teaches courses in Statistics and Microeconomics. Also, she teaches at the South-East Europe University, Business Administration Faculty, for courses Money and Banks, International Financial Management and Statistics. Her teaching and research areas are banking and statistics. Her work experience includes Bank Rehabilitation Agency of the Republic of Macedonia and the National Bank of the Republic of Macedonia. She has published numerous articles in the area of banking and the university textbook *The Basics of Statistics*, 2008.

Nada Ciriviri received her master's degree in macroeconomics with her thesis "Structural analysis on the stocks of FDI in Macedonia, 1997-2007". She worked in the area of FDI for more than 11 years, as a promoter and policy maker in the Ministry of Development (1990-2000), and then as a compiler and methodologist for FDI data in BOP and IIP statistics in the National Bank of the Republic of Macedonia (2000-2007). At the moment, she is head of the Financial Accounts Statistics Division, preparing Flow of Funds Basic Accounts among the

sectors in the Macedonian economy. Mrs. Ciriviri has attended a number of seminars, trainings and conferences in the country and abroad in the area of macroeconomics, balance of payments, FDI, and financial accounts; and she has also worked on other research projects.

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Dr. Pero Petrovic

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Sladjana Batic

The Effects of World Financial Crisis on the Serbian Economy

The world financial crisis is having negative effects on the Serbian economy. Monetary and financial markets are unsettled. National currency has permanently decreased in relation to the Euro and dollar. Banks' credit activity is decreasing contemporaneously with price increases in credit and reduction in the volume of cross-border credits. Stock exchanges are becoming weaker and losing dealing volume simultaneously with the reduction of the index value of the most liquid shares among Serbian enterprises. This paper includes the analysis of the question of foreign direct investment (FDI) in the Serbian economy, export slowdown and economy growth, as well as investment reduction. This situation can lead to social problems and tensions caused by the forced slowdown of consumption dynamics. The main effects of the crisis manifest as the effects of the financial crisis overflow to the real sector of the economy. The year 2009 will be a period of stagnation and survival for the citizens of Serbia. The questionnaire, which is a component part of this paper, was carried out among a selected sample of the citizens and regards the influence of the current financial crisis on living standards.

Key words: Serbia, economy, finances, capital, crisis.

Biography

Dr. Slobodan Cerovic. At the Faculty of Natural Sciences in Novi Sad, lecturing: Management in Tourism, Marketing in Tourism, Market Research and Management in Catering Business. At the Faculty of Natural Sciences in Niš, teaching: Marketing in Tourism and Hotel Business. Published over 70 scientific and specialized works in the country and abroad. Published monography. 'Strategic Management of Tourist Trade of Serbia' Želnid, Belgrade 2002, as well as the university text book "Management in Tourism", Čigoja štampa.Novi Sad 2003, and "Investigation of Tourist Market" Čigoja štampa.Novi Sad 2004. for graduate and post graduate studies at the Faculty of Natural Sciences in Novi Sad. Participated in drafting laws and by-laws which regulate tourism activity in Serbia. Author of four projects concerning transformation of hotel objects in Serbia.

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Euro-zone, Emerging Markets and Global Economic Integration – A Study of Opportunities and Threats in the Context of Current Financial Crisis

The introduction of the Euro as a single currency was expected to achieve significant competitive advantages for the member countries and far reaching financial strategic implications to the emerging market world, including India. On January 1, 1999, the Euro was introduced for non-cash settlements, while on January 1, 2002, Euro cash was issued into circulation. Much as the great competitive gains were placed in the Euro before its introduction, the Euro-zone market performance has fallen short of expectations due to its structural rigidities and the global financial conditions. At the same time, the Euro has impacted the global economy, international capital markets and the prospects of emerging market world. Further, its impact on firms in emerging markets and their financial and business strategy has been enormous. It is imperative to study the Euro-zone market dynamics in the context of the current global financial crisis.

Accordingly, this paper is divided into five sections. The first section gives an account of European integration and its impact on emerging markets such as India and its business and industry. An attempt is made here to assess the implications to exporters and importers, exchange rate movements, currency risk and hedging prospects, and the relevant strategic considerations for Indian companies. The second section is an attempt to analyze the possible implications for foreign trade, investment flows and growth prospects. The third section examines the impact of European integration and the macroeconomic policies pursued by the EU (for example, the European Central Bank's monetary policy) on emerging markets, and how that impact may evolve in the future. The fourth section examines the mega-implications of European integration and the macroeconomic policies pursued by the EU (for example, the European Central Bank's monetary policy) to the global economy, equity and bond markets in Europe and the rest of the world, and trade and investment flows into India. More importantly, the paper also critically examines the progress made by the union towards true market integration and its resilience in a situation such as the current financial crisis and the regional downturn, as well as providing summary and concluding remarks.

Key words: European integration, financial crisis, down-turn and strategy.

Biography

Dr. Gajavelli V S, MA, M.Phil., Ph.D (Eco). Professor in the area of Economic Environment and Finance at the Institute of Management Technology-Nagpur, India. He was the Chairperson of Post-graduate Programs for the academic sessions 2005 to 2008. Has more than 18 years of experience in research, management education, faculty development programs, management development programs and consulting. Earlier, for fourteen years he was associated with Institute for Management Development (SDM-IMD) and Kirloskars Group. Previously, he was associated with the Institute of Chartered Financial Analysts of India (ICFAI) and its affiliates, including ICFAI Business School and Graduate School of Management, Transworld University, USA. His academic achievements include holding a PG Degree in Economics (1987), wherein he topped the University with First Rank and was awarded a Gold Medal. Later he pursued research at M. Phil and Doctoral levels and was awarded the degrees in 1990 and 1996 respectively from Central University, Hyderabad. He has presented/published over 20 research papers in various national and international professional forums & conferences, and he has authored two textbooks in the area of Economic Environment & Decision-making. His areas of interest include Economic Analysis

and their Applications to Management, Macroeconomic Modeling, Indian Economy and Policy, Business Environment and Strategy, International Finance, Derivatives and Enterprise Risk Management.

Dr. Clarisse Molad

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The Economic Crisis Implications for Energy Sector's Investments in the Western Balkans

In 2006-2008, when the Western Balkan region was noted for its economic growth equaling that of China (8% per year), it was also noted that energy consumption is due to grow aggressively in the region, and thus began a mad rush towards foreign direct investment in the energy sector measured in billions of dollars. Coupled with EU accession aspirations, many of the countries in the region looked into investment both in traditional energy generation as well as renewable energy. This led to rosy projections, especially by local governments, that misled many into believing that the Western Balkans would see a bonanza of energy development projects. The economic crisis changed all of that. This paper provides an up-to-date market overview supported by the author's recent talks with key stakeholders in the region covering the re-adjustment of the investment community to the new realities concerning traditional and renewable energy projects. As countries work to accommodate the new economic indicators and investors are faced with many barriers to financing, the future of the energy sector in the Western Balkans looks uncertain. Yet this paper also discusses where current opportunities do exist and recommends a path forward for some key regional stakeholders.

Biography

Dr. Clarisse Behar Molad is a vice-dean at the Business School of American College in Macedonia. She received two Fulbright scholarships in Macedonia in 2004-2005. Since then, she has also worked for the USAID mission in Macedonia as a consultant in various capacities. Dr. Molad holds a doctoral degree in global business management from the Union Institute and University in the US and has lectured all over the world in the areas of international business, strategic management, and leadership during the last 10 years. She has been an international strategy consultant for more than 20 years and is currently helping to bring energy efficiency and smart grid technologies from Israel to the Balkan region.

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The Impact of the Global Economic Crisis on Albanian Foreign Trade

The global economy is in the midst of a deep downturn, affecting the real and financial sectors, both in advanced, emerging and developing countries. All major advanced economies are in recession, while activity in emerging and developing economies is slowing abruptly.

The fact that the Albanian economy and financial system are not yet completely integrated with the rest of the global economy has provided some buffer from the global financial credit crisis. However, the recent trends of exports and imports show that the crisis has arrived in Albania.

This paper analyses the impact of the global financial crisis on the Albanian economy, particularly on foreign trade. It provides an overview of the possible impact of the crisis on the short-term macroeconomic outlook. The Albanian economy will be primarily affected by the global economic downturn through a decline in export demand, investment, remittances, and less availability of credit. Export demand in particular might hurt the re-exporting industry in shoes and clothing, but other sectors will also be affected.

Against this background, the paper provides policy recommendations on how best to address the impact of the crisis on Albanian economy, particularly on foreign trade. As a solution, we need to develop a more competitive export sector. On the other hand, this is the best time for local investors and entrepreneurs to exploit opportunities to expand our export sector.

Key words: global economic crisis, foreign trade and re-exporting industry.

Biography

Alketa Vangjeli completed the Master Degree in Economics at the University of Tirana, Faculty of Economics, and is currently continuing PhD studies at the same. Since 2002, she has been a lecturer of Economics at the University "A. Xhuvani", Faculty of Economics, Elbasan. She has participated in many training courses, has published papers in scientific-economic reviews and refereed in the international conferences: "Stabilization-Association Agreement- a new challenge for Albanian economy into European Integration" (2006); "Return emigrants, rehabilitation problems and their role in the regional development of Elbasan" (2008); "European Integration of Albania: Exports developments and new challenges ahead" (2008); "Liberalizimi tregtar dhe rritja ekonomike: Rasti i Shqipërisë" (2009); etc. Also, she has been lecturer in Post-University Course "Administration and Assessment of public interventions in accord with reforms of Local Administration", organized by CEFAL, TEMPUS project, with the participation of public administrators from Elbasan district and other districts. Her areas of interests are: International Economics, Microeconomics, Macroeconomics, Labour Economics, etc.

Nada Krypa, PhD candidate

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Europe in Crisis: Does the Crisis Create Opportunities for the Balkan Countries, Especially for Albania

This paper primarily discusses the financial crisis that is taking place in Europe. There is a fear that this economic crisis will take hold of Europe if it is not controlled. Europe is one of the biggest economies of the world, so many countries worldwide are also facing the threat of financial crisis. Additionally, this paper looks at the opportunities that this financial crisis in Europe may present to the Balkan countries. Many countries joined the EU to expand their markets, properties and economy, but recently the European economy has also fallen on hard times, and its losses have affected most of the countries of the world. The European economic downturn has also affected the economic conditions of the Balkan region, especially Albania, and the GDP values of these countries have decreased.

Key words: crises, Europe, Balkan region and Albania.

Biography

Nada Krypa (Tapija) is a lecturer at the Faculty of Economy, "A.Xhuvani" University of Elbasan. She is also the head of the Department of Business Administration in this Faculty. She is a PhD candidate in the field of Human Resources Management at the Faculty of Economy in the University of Tirana. Her research interests include Management, Human Resources Management and International Business, among others.

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Local Economic Development in Macedonia in the Context of the Global Crisis

This paper examines the financial crisis in light of the local economic development and sets out some policy recommendations. Local economic development is a process in which the local authorities cooperate with the public sector, business community, and NGOs in order to create a more appropriate environment for economic development and reducing unemployment. The last months saw the world economy facing the worst financial crisis in history, causing an unprecedented drop in demand and sales and record-breaking unemployment levels worldwide. No country can escape the economic and social consequences of this financial crisis. The main research question is the following: How does the global crisis affect local governments? The local governments are facing several problems, such as: higher unemployment and social needs at the community level, pressure for increased spending, difficulties of investment financing, and the need to defer maintenance. Additionally, the paper sets some policy recommendations addressing what local governments can and should do. The crisis offers some chances for change in the context of strengthening the role of local governments. The central government will rely on local governments to bring policies rapidly to bear on the economy. This could and should intensify intergovernmental dialogue, and it could also lead to strengthening the fiscal autonomy of municipalities. Improving competitiveness at the local level and developing a strong local economy can help the country cope with the effects of the global economic slowdown. Local government units should improve their competitiveness to attract more investments and to develop their local economies. Given that the responsibility of assisting the national government in mitigating the impact of the crisis through stimulation of local economies is given to local governments, this paper discusses issues related to enhancing local economic development and fiscal decentralization as a means of improving overall service delivery in the country, in the context of global economic and financial crisis. Local governments may also be successful in promoting productivity locally in order to enhance the country's competitiveness in anticipation of a greater role in global trade during the recovery in the next few years. The special focus of this paper is the case of local economic development in the Republic of Macedonia.

Key words: global crisis, fiscal decentralization, local government and local economic development.

Biography

Snezana Hristova started her academic career at Faculty of Economics in Skopje, graduating in 2002 with a major in Economics. Snezana earned her Master of Science in Business Administration in 2005 at Radboud University of Nijmegen, Nijmegen School of Management in the Netherlands. She is currently working on her doctoral degree. Since 2006, she has been engaged as a teaching assistant at the School of Business, University American College-Skopje. Her key areas of expertise and interest are management, strategic management, human resource management, and principles of accounting.

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The Threat of Financial Crisis to Emerging Markets in Europe

The financial crisis across the world has been significant enough for the entire world to take notice. Developed economies have been hit hard by the crisis, as seen in the news and other areas, but what about the emerging markets, specifically in Europe? Threats are now growing in emerging markets that may have escaped the initial fallout from the crisis. This paper takes into consideration the real financial crisis, the sub-prime crisis, and, most importantly, the threats to the emerging markets, specifically the Balkan region.

Biography

Bojan Georgievski was born in Skopje and graduated from the law faculty of the University of St. Cyril and Methodius – Skopje. He finished his Master studies at the University of American College – Skopje. The title of his master thesis was Sub-prime Lending Crisis. He currently works in Pro Credit Bank – Skopje in the credit department as a member of the quality portfolio management unit. His duties include controlling, following, and solving cases in arrears, with the primary target of lowering the percentage of clients that are in arrears. His previous working position was attorney of law in his private attorney office.

Emily Nikoloski is an American teaching at the University. Originally from Minnesota, USA, Emily teaches in the School of Business for the undergraduate courses: accounting, auditing, and other business courses. She holds a BSc in Finance and an MBA in Corporate Finance and Banking. Emily previously worked as an accountant in a large corporation in Minnesota and at one of the 2nd tier auditing companies. She has experience in auditing, accounting, cash flow management, project management, and finance. Emily is a member of the Institute for Management Accountants.

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Arguments for and Against Neoliberal Economic Systems and the Way to Solve the Current Economic Crisis in Europe

As the most-discussed topic of the recent period, the world's economic crisis has attracted the attention of most scholars, analysts, and politicians who try to find a quick solution for a problem generated during the last couple of decades. While some believe that the current crisis is just a descending curve of the life cycle of the world economy, something that is far from curious and unpredictable, others, such as the influential George Soros, predict an end of the current economic system. Where does the current crisis stand and what is a solution for it?

The aim of my paper is to first analyse the pros and cons of the 'free market' approach to development, then to decide whether the current crisis is as dangerous as some predict, and finally to provide the solution to it. In the first part of the paper, since the free market approach is theoretically backed by neoliberalism, I first define this theory and explain some of the policies associated with it. Following that, I focus mainly on free trade as a main feature of structural adjustment programs and its significance as a factor for development. Later in the paper, I present the advantages and disadvantages of the free market approach (with a focus on free trade). Finally, I conclude by examining whether this approach is useful for the development processes of the developing countries and if it a way to solve the current crisis. In the second part of my paper, I explain why I believe protectionism can only make the crisis worse instead of solving the problem, and I conclude that the continuation of the American Open Door policy as a strategy is the best way to overcome the current global economic crisis.

Biography

Viktor Gjorgjieski was born in Prilep in 1985. After his first experience in the United States and finishing high school at Moore High School, Oklahoma, Viktor attended New York College for a degree in International Relations. After five completed semesters, he took advantage of the opportunity to transfer to the State University of New York at New Paltz, from which he holds a Bachelor of Arts degree in International Relations. Immediately after completing his studies in the U.S., he decided to change the environment and went to London to do his Master of Arts in International Relations at the Huron University London. After acquiring his Master degree in 2008. Viktor Gjorgjieski is currently employed by Media Group and is working with Brussels Press on a project in Macedonia.

Academic track II: Finance

Moderator: Dr. Ivan Dodovski (Macedonia)

Rapporteur: Dr. Gaspar Biro (Hungary)

Introductory remarks: Ms. Aleksandra Nakeva-Ruzin, Operating Director, MPPM CEO
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Biography

Aleksandra Nakeva Ruzin is Executive Director of Eurolink Insurance Inc., Skopje. At the UACS she teaches Public Finance. M.S. (Public Policy and Management). She earned a post-graduate degree in 2005 from the University of Pittsburg, Graduate Center for Public and International Affairs and her M.S. in Economics in 1998/99 in Monetary Economy at the Faculty of Economics, University St. Cyril and Methodius – Skopje. She is a lecturer on Organizational Management with the Faculty of Economics, Ss. Cyril and Methodius University – Skopje (since April 2008) and a member of the Management Board of the European Business Association (since December 2005).

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Banking Sector in a Crisis

This is a study of the banking sector in a crisis from a Macedonian perspective. It introduces the thought processes of Macedonian banking executives and their strategies of survival and success in this critical environment.

The study contains two parts; the first covers the banking sector and its organization in the Macedonian market, whereas the second deals with research obtained via a questionnaire. Fifty bank executives were surveyed and the results were decoded and analysed in SPSS. The margin of error is 12%, meaning that if this study were conducted another thousand times it would show the same results with a variance of twelve percent.

The issues covered are strategic, and the emphasis is placed on solvency and liquidity issues as well as financial ratios and their acceptable levels in an environment such as this one. There will be changes of strategy as a result, and whether those will include incremental changes and/or changes of structure and culture is to be seen from the research. One well-known fact about the banking sector is that these organizations have a very strong organizational culture that will likely be resistant to change. The challenge here is to find the right formula by which to make the change functional and to achieve a smooth implementation without it being sabotaged by opinion leaders.

The key to any change is thorough data collection, identification of informal groups, identification of the already-mentioned opinion leaders as well as a tailored policy by which such strategy may be implemented. Open communication is a must, because in such turbulent times, any changes can be interpreted as signaling a loss of job security and positions. Dealing with stress properly, unfreezing, movement and freezing, as Levin puts it, would be one of the ways to go about this. The question arises as to how prepared the executives are to undergo a change in strategy to battle the recession. Eastern Europe has so far been sheltered, and the acknowledgment of the intensive need for change is the first step each of them must make. It is of utmost importance to have the full support of top management. The dilemma will arise as to whether to employ an outside consulting house that will supply a change agent or to choose one from within. To go with someone from inside will no doubt take less time in terms of analysis, but at the same time the politics of the firm might limit his or her ability to implement the change. To choose an outside change agent would mean fresh ideas and a thorough analysis, but it would take longer for an outsider to do the data collection and the analysis. This is a decision that top managers and only top managers can make; it depends solely on the organizational structure and what the response to an outsider versus an insider would be. This work is intended not only to motivate further research and to inform, but also hopefully to make for an interesting read.

Key words: banking, strategy, crisis, change agent, change management, executive, research, Levin, liquidity and solvency.

Biography

Dr. Marjan Bojadziev is Chancellor of UACS; as Provost and Vice Rector he manages day to day operations, drafting strategic plans, monitoring activities and coordinating with academic staff. He is also an academic member of the European Corporate Governance Institute in Brussels and adjoined member of the American Marketing Network (within American Bankers Association). Dr. Bojadziev is a former CEO of some of the largest Macedonian banks, savings houses and companies.

Marija Barishin is a PhD applicant and is doing her thesis on Gender Issues of Managerial Decision Making. At UACS she lectures in several subjects in the field of management and architecture: Management, Organizational Behaviour, Quality Management, Management in Architecture, Strategic Management in Architecture and Construction. She also assists the rector with the MBA course of Advanced Organizational Behaviour. She holds a BBA from Bishops University, Quebec Canada and an MBA from UACS in the field of management.

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Impact of the Financial Crisis to the Macedonian Securities Market

This paper represents a critical overview of the impact of the world financial crisis 2008-2009 on the Macedonian securities market. It is prepared to be presented for the upcoming UACS 4th Annual international conference on EU integration: Europe in crisis: threats and opportunities.

The paper consists of 3 main parts: the scope and cause of the 2008-2009 financial crisis; the impact of the financial crisis on the stock markets of the world; and threats and opportunities for the Macedonian securities market.

The origin of the crisis occurred in the summer of 2007, when the loss of investor confidence in the USA to securitized mortgages created a liquidity crisis to the trading of these securities. The liquidity crisis deepened with other assets-backed securities (especially swaps on credit derivatives), which created defaults in many issues of ABS and financial institutions involved in trading with these securities.

Although America's housing collapse is often depicted as the main cause of the crisis, the financial system was vulnerable because of highly leveraged financial contracts and operations, a lack of regulation and supervision of OTC trading with ABS, and generally a "hypertrophy of the financial sector", i.e. so-called *financialization*, a term used in discussions of a form of capitalism which developed over several decades leading up to the 2007-2009 financial crisis, and in which financial leverage tended to override capital (equity) and financial markets tended to dominate over the traditional industrial economy (the main characteristics of Anglo/American capitalism).

There are many definitions of *financialization* from different economists, experts, and universities around the world. The working definition here is: *financialization* is the increasing dominance of the finance industry in the sum total of economic activity, of financial controllers in the management of corporations, of financial assets among total assets, of marketable securities and particularly equities among financial assets, of the stock market as a market for corporate control in determining corporate strategies, and of fluctuations in the stock market as a determinant of business cycles (Dore 2002)

More popularly, *financialization* is understood to mean the vastly expanded role of financial motives, financial markets, financial intermediaries and financial institutions in the operation of domestic and international economies.

The impact of the financial crisis on stock markets around the world was astonishing and devastating. The market capitalization of listed stocks of NYSE lost over 1.2 trillion dollars in one day, the biggest lost ever in the history of the exchange (September 29, 2008). Worldwide, stock markets reacted accordingly, losing a vast amount of the capitalised value of listed stocks.

The world's stock markets are becoming very volatile, reacting to any news at the macro or micro level with abnormal increases/decreases of the stock prices/indexes. Expectations of the future economic outlook are not yet positive, so the markets cannot recover very soon.

The Macedonian securities market, while still very small and illiquid, reacted also accordingly. The MBI index tumbled almost 60% over the last 6 months. With underdeveloped local institutional investors industry (investment funds, pension funds, insurance companies), the main investors in the Macedonian stock exchange – several investment funds from Slovenia, Croatia, and Austria – immediately began withdrawing their investments. Some of them left the market; some are still present in the market. They are not investing new funds and are implementing passive, hold-approach portfolio strategies. There are no newcomers in the stock markets, local investment funds are very passive regarding creating new portfolios and investing in the stock market, and new local investment funds are still lacking. The liquidity of the stock market was ruined.

Expectations are that the global financial crisis will end sometime during the first half of 2010 and the full recovery of the stock markets in developed economies will take an additional 1-2 years. Small countries will recover later, especially those with underdeveloped local investment fund industries, as is the case in Macedonia. The future of the Macedonian securities market is in a more active approach in globalization and integration of stock markets. It is the main opportunity for the survival and development of all small and illiquid securities markets, including the Macedonian securities market.

Biography

Dr. Zografski is Chairman of the Finance Department at ACS University. He is the former CEO of the Macedonian Stock Exchange and was a board member of the Macedonian Privatization Agency. He holds a First Degree in Portfolio Management from the New York Institute of Finance. He has participated in many courses on securities at the US Securities and Exchange Commission in Washington DC.

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Influence of the Economic Crisis on the Exchange Rates of the Countries from Eastern and Central Europe

From the beginning of the world economic crisis, new economies (countries from Eastern and Central Europe) have experienced tremendously high rates of economic growth. Reforms that were introduced and, for many of them, membership in the European Union caused these countries to attract huge amounts of foreign investments (direct and portfolio). Growth was also stimulated by huge amounts of credit coming from the Western countries. Finally, easy access to capital encouraged the countries to finance their growth with high budget deficits.

However, we are currently experiencing perhaps the largest economic crisis in the history of the world. Global liquidity is sharply decreasing. Access to foreign capital is more limited from day to day. Inflow of foreign currencies as a result of the export of goods and services is decreasing. This causes a sharp decline of the inflow of foreign currencies in these countries, which exerts a great deal of pressure and influence on the exchange rates of the domestic currencies. Some of the countries allow free fluctuation of their currencies, which in conditions of much higher demand of foreign currencies relative to supply causes high depreciation. Countries which have currencies that are fixed to the Euro or some other currency are faced with the need to significantly reduce their foreign reserves in order to prevent the depreciation of their currencies.

The second scenario is happening in Republic of Macedonia. The increased export demand is significantly lower compared to the inflow of foreign currencies. Foreign direct investment is greatly reduced in comparison with the last few years. Accessing capital from foreign markets is getting harder and harder (quantitatively and more expensive). Finally, the inflow of foreign currencies, so-called "net income" from foreign countries, which in the previous years financed the deficit of the current account of the balance of payments, is falling as well. In these conditions, supply cannot meet the demand of foreign currencies, increasing the pressure for depreciation of the exchange rate of the denar.

Authorities in Macedonia decided to defend the exchange rate of the domestic currency under any circumstances. The initial amount of the total spending of the foreign reserves of the state was around 400 million Euros in only five months. That kind of movement often gives rise to the question: is a devaluation of the denar needed? For many reasons, the answer to that question is decisive: NO!

Key words: global liquidity; access to foreign capital and foreign exchange rate.

Biography

Dr. Tome Nenovski is Vice Chancellor of UACS. He was Deputy Governor of the National Bank of The Republic of Macedonia in the period 1991-1997. He participated in many negotiations with international financial institutions representing the Republic of Macedonia. He has significant training in monetary policy and banking systems from Florida State University. Prof. Nenovski has published ten books on Banking, Macroeconomics and Public Finance, including "Money Order and Banking", "Pricing Corporate Bank Products and Services", "Credit Policy" and "The Structure of Public Finance in RM". He has also published over 275 studies in local and international magazines. Mr. Nenovski has been awarded the traditional "M.H. Jasmin" and "Goce Delcev" state awards.

Elena Makrevska is a teaching assistant in the courses Macroeconomics and Banking at the University of American College Skopje. She received her Bachelor's degree from the State University "Ss. Kiril and Metodius", 2007. Currently, she is working on her master thesis in the area of corporate finance and banking in the MBA program at the University American College Skopje. She is enrolled in many projects, has participated in workshops and scientific conferences, has published some research articles, and has also participated in the 2008 International Conference at the University American College.

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Financial Crisis in the New Member States is Jeopardising Euro Zone Entry

The paper aims to analyse the current financial world crisis. After describing its causes and effects, the study focuses on the crisis' impact on the global economy, particularly on those Central and Eastern European economies that haven't yet adopted the Euro currency.

In its first part, the paper presents the events which occurred in the USA where the crisis emerged. The analysis considers the period 2001-2008. The causes identified include the large global imbalances, the cheap money or liquidity from surplus countries channeled mainly towards the US, the housing bubble, the lax regulation and regulatory arbitrage, especially the cross-border one, and the enormous leverage based on short-term borrowing by FI investing on their on account. This crisis that emerged in the USA has expanded and has had direct and indirect effects on the entire world's economy, including direct effects from banks' exposure to "toxic assets" and indirect effects caused by changes in the availability of capital and liquidity conditions that involve less external financing.

The current international crisis is the most severe one after the big economic inter-war crisis. At the international level, there are many insufficient individual actions being taken by several countries in attempts to deal with the effects of the crisis. Consequently, it is necessary to coordinate the initiatives of governments, the measures of central banks and other financial bodies (International Monetary Fund, World Bank), and the creation and implementation of new rules and new international economic institutions.

The second part of the paper presents the financial chain reaction and its far-reaching effects in developed economies. The paper also evaluates and discusses the measures undertaken by central banks in order to regain confidence in the financial system and to prevent the repercussion of the crisis' negative effects on the real economy; the coordinated actions of the USA and the EU countries and also the funds granted for dealing with the crisis are examined here. The emerging and developing economies are also affected, but conversely they remain the source of international economic growth. For Central and Eastern European Countries, the economic growth will be far less than before the crisis and the credit deceleration will be strong (domestic deposits are unable to support a large expansion in credit growth). In this paper, I also put forward the crisis' macroeconomic impact (the main macroeconomic indicators change) on the Central and Eastern European Countries, especially concerning the fulfillment of Maastricht criteria. Because of the current financial crisis, some Maastricht criteria would be more difficult to fulfill in the short and medium term, which would make it hard for them to join the Euro zone.

Keywords: financial crisis, international economy, European Union and Central and Eastern European countries.

Biography

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The International Financial Crisis and its Impact on the Spanish Economy

The longest period of continued world economic growth and prosperity that has brought millions of people out of poverty came to an abrupt halt with the international financial crisis that appeared quite suddenly after the summer of 2007, causing a rapid decrease in global economic activity and sending millions of people into unemployment. The sub-prime mortgages issue in the US, which backed many other financial products throughout the international financial system, created the spark when the guarantees could not be made effective. The fire, spreading together with the realization that the loss of trust within the interconnected global financial institutions, has created a big contraction of credit, cutting the cash flow to the economy and consumers. Some large banks have gone bust, and some industries and countries with credit exposure are “bursting” their bubbles. In Spain, the international financial crisis is creating a very hard economic situation with decreasing activity and almost 4 million people unemployed. The construction and real estate industries have particularly suffered, with people not being able to pay their mortgages and construction companies backing up credits with the shrinking value of land and house properties. Banks are having to be saved by the state, and strong cash injections by the central bank and large public deficits are the result in a country with not enough internal savings and a dependence on borrowing money internationally. The global and coordinated answers, measures taken so far, and those yet to be taken will hopefully bring back a measure of trust into the system. Nevertheless, after this sudden “wakeup” call, the world financial and economic environment is changing, with a return to less-risky, better-known policies and financial products, at least until the financial tsunami has passed.

Biography

Alberto Gomez has over 20 years of experience as a Development Economist, Consultant, Coach and Trainer in Project Management, Strategic Management, Private Sector Finance, Private Sector Development, and Entrepreneurship, Innovation and Competitiveness. He has worked in leading multinational companies for 13 years, such as Gillette, Kraft Foods and Phillip Morris, where he held senior sales and marketing positions and became the marketing director for Spain and Portugal. In the last 12 years, he has developed a career as an international Economics and Development Consultant, working with key International Financial Institutions in over 20 countries in Europe, Asia, Africa and Latin America. He is a Fellow of the Chartered Institute of Marketing in the UK, as well as a member of the “Asociacion de Profesionales de Proyectos Internacionales APPI in Spain and the Association of Proposal Management Professionals, APMP; a member of the Spanish-Macedonia Business Association, and a member of the European Indian Chamber of Commerce (Spain Chapter). Alberto has a University Degree in Economics and a Masters in business administration from the ICADE Business School in Madrid, www.upcomillas.es He is currently pursuing a PhD in Applied Economics at the Atlantic International University based in the US, www.aiu.edu He has published articles in different publications on Globalization, Sustainable Economics and Economic Development. He lectures in various Universities in the Balkan region and has trained hundreds of people all over the world in developing human resources.

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Global Financial Crisis Effects on the Process of Securitization in US and European Capital Markets

Asset securitization is the structured process whereby interests in loans and other receivables are packaged, underwritten, and sold in the form of “asset-backed” securities. Securitization, in the correct environment, is one of the very most efficient forms of financing due to the following trends: 1. the increasing importance of the use of information to create wealth; 2. the increasing enhancement of computers and their uses. There are three standard categories of securitization: mortgage-backed securities, asset-backed securities and collateralized debt obligations.

In February of 1970, the U.S. Department of Housing and Urban Development created the transaction using a mortgage-backed security. The Government National Mortgage Association sold securities backed by a portfolio of mortgage loans. The U.S. economy this decade experienced a dramatic “real estate bubble”, i.e. the inflation of both home values far in excess of historic norms and of reasonable estimates of the growth of fundamental determinants of home value. One salient feature of the “bubble” psychology was the expectation on the part of home buyers of a continuation of this supra-normal trend in home price appreciation. This expectation fueled demand by first-time home buyers fearful of being priced out of the market or of missing out on the phenomenal equity gains to be realized. It also busted demand by existing home owners, who could now realize enormous capital gains on previous home purchases and trade up in the market.

The US-born financial crisis has given a new impetus to European efforts to step up the supervision of the sector, such as the upgrading of valuation methods, in particular the valuation of illiquid assets. European financial regulators have failed to keep up with the trends of cross-border consolidation in the banking industry sector in the recent years, leaving banks largely supervised along national lines and facing different regulations across Europe.

Key words: securitization, subprime mortgage crisis and EU capital requirements directives

Biography

Radica Dishlieska was born on 16th July, 1979 in Struga. She enrolled in the Faculty of Economics which is part of University “Ss. Cyril and Methodius” – Skopje in the academic year 1998/99 (department: Financial Management) and graduated in 2002. Since October 2003, she has been working as a junior teaching assistant of the subject Principles of Economy and group of other generic subjects of financial disciplines at the Faculty of Economics as a part of the FON University Skopje - First Private University in Republic of Macedonia in Unit in Struga. In the 2003/2004 academic year she enrolled in postgraduate studies in Monetary Economics at the Faculty of Economics in Skopje. In June 2008, she publicly defended her M.Sc work: “The process of securitization in international capital market and experiences in Republic of Macedonia”. Since April 2009, she was elected assistant for the group of subjects in Financial Management. Radica Dishlieska has fluent knowledge of English and partial knowledge of Greek. She is familiar with all the programs of the Microsoft Office Package and Outlook Express, as well as the Internet. The main subjects of her scientific interest are: financial markets and institutions, principles of economics and securities analysis and portfolio management. She has attended many courses and seminars all over the country.

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How the Crisis Influenced Advertising in the Financial Institutions

The world economic crisis has necessitated finding ways for survival in the most pessimistic scenarios or just cutting costs in the best situations. US Banks suffered the most from the crisis. Banks in Macedonia are not feeling the same effects. The world financial crisis didn't jeopardize the stability and liquidity of the Macedonian financial system because of the strong deposit base, banks' low debt and the prudent regulatory system, which maintained a healthy banking portfolio. However, the Financial Institutions in Macedonia are already feeling the consequences of the global financial crisis.

The Advertising sectors of the global financial institutions are showing lower marketing budgets, but importantly they have not been cut completely. Banks are working on increasing their deposits through their corporate image. The corporate image is built through marketing communications. This means that the financial institutions' advertising should continue in order to keep and strengthen banks' corporate image and should stress the stability of the banks.

This paper presents the advertising activity of the financial institutions during the current world economic crisis and the consequent marketing communication budget reallocation. The effects of the banks' marketing communication during the crisis is shown with data on the banks' customer and market share and on the banks' corporate image perception.

Keywords: advertising, financial institution advertising, crises, corporate image, savings, loans and marketing communications.

Biography

Ilijana Petrovska is a PhD applicant and is doing her thesis on "Integrated marketing communications in banking industry". At UACS she is a full-time lecturer of several subjects in the field of Marketing: Principles of marketing, Marketing management, and Advertising and promotion. She holds an MSc from Ekonomski Fakultet Skopje. Her professional experience includes more than ten years spent in marketing and advertising, specialised in banking in the last eight years. Prior to joining UACS, she worked as Marketing manager in Stopanska Banka AD – Skopje, Makedonska Banka, and the Advertising agency S Team Bates Saatchi & Saatchi.

Ljupka Naumovska (11.08.1981) graduated in 2005 from the marketing department of the Faculty of Economics, St. Cyril and Metody in Skopje. She worked in Stopanska Banka for 1.5 years in the Corporate Lending Division. For over 2 years, she has worked in sales and marketing in Hypo Alpe Adria Leasing Skopje, actively covering the field of sales, product development, marketing and PR. She has attended a number of international and domestic seminars and workshops related to leasing and its development in the region. She is an MBA student at American College. Currently, her efforts are directed towards the further development of the leasing market in Macedonia by introducing its advantages and promoting a variety of affordable leasing products.

Milica Todorovska, (02.10.1981) graduated in 2004 from the marketing department of University "St. Cyril and Methodius" Faculty of Economics – Skopje. After graduating, she worked for Stopanska banka AD – Skopje for 4 years and 3 months. Currently, she is engaged as Senior Officer in Product Development Department, conducting activities such as market analyses and preparation of competition market overview; product development and testing (launching new products and improvement of the current products) and preparing reports and monitoring the fulfillment of plans prepared for separate products. Since February of 2008, she has been enrolled at the University American College Skopje as an MBA student with a concentration on marketing. She is interested in developing specific skills, benefiting from working with professionals, and adapting to new situations and challenges.

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Securitization of Global Economy: Sector Analysis and Future Prospects

The aim of this paper is to analyze the economic security sector and its interconnection with the political and societal security sector (as defined by Barry Buzan) in relation to the current crisis. A shift in understanding of the economic crisis' causes is necessary in order to generate a long-term, viable solution. The securitization of the economic sector can be seen as a product of the securitization that took place in the political and societal security sector in Europe and at the global level. Both systems (economic and political) possess structures and dynamics which can be identified independently; in addition, the two systems are so closely intertwined that neither can be understood in the absence of the other. Furthermore, the paper examines the underlying political concerns that allow nonmilitary issues to achieve security status and cause undesirable and counterproductive effects for the entire fabric of societal and international relations.

The topic possesses contemporary relevance due to its implications for security, both at the regional and European level. It likewise addresses the spillover effects of the current economic crisis from one sector to another. The circumstances are suitable for assessing the level of securitization in the global economic sector and its implications for the immediate future. The theoretical framework is taken from two groups of political science literature: theories of liberalism and mercantilism; and literature on 'securitization', as a discourse used in order to identify something as a threat and attach a label of urgency to that issue. One advantage of the securitization approach is that it emphasizes the responsibility involved in arguing about security (or desecuritization) for policy makers, analysts, and lobbyists.

Key words: economic security, Europe, economic crises, securitization, societal sector.

Biography

Ivana Tomovska holds a master's degree of Arts in Politics, Security and Integration, and she was awarded the Chevening Scholarship by the Open Society Institute and Foreign and Commonwealth Office. Currently, she is a researcher in the Centre for Regional Policy Research and Cooperation "Studiorum", Skopje. Her key qualifications are: four years of experience in the administration and management of international organizations, communication skills, interpersonal relations and mediation, diversity training, and coaching. Since 2003, she has conducted research and policy analysis for various think-tanks in the Western Balkans and in Western Europe. She has five years of informal education and experience in Transaction Analysis - a branch of psychology dealing with organizational and personal development and Family System Therapy. She also has two years of informal education in 'Gender and Policy'. Her additional experience/interests include: democratization processes, citizenship policies, local government development, good governance, human rights, civil service transformation and development strategies.

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Crisis Theory: What Do We Know? What Do We Need to Know?

Today, everyone is speaking about the world economic crisis; however silence falls as soon as conversation drifts to plain explanations for the crisis, predictions and, most of all, the results of it. There are many diverse ideas about the recent global economic crisis, and this paper endeavors to analyze as exactly as possible how it developed and its main consequences. The study is structured through the following aspects: (a) What does theory foundations tell us about crisis? (b) What are the implications of "Reaganomics" and what does the 1970s crisis mean? (c) What are the consequences of "financial" capitalism? (d) What are the actual crisis development mechanisms? These aspects and elements are depicted with statistical graphs, from which we derive conclusions about the implications of crisis for the world economy in general and Europe in particular. The main findings are that crisis theory is based on two main statements. The first was intensively developed by 19th century political economists within the limits of labor cost theory, according to which labor production is distributed irregularly between 2 production factors – labor and capital. The global division of labor became the second basic element in our system because of its important role in the scientific and technological progress model, which was formed in the end of the 18th – beginning of the 19th centuries and is distributed all over the world today. The fundamental peculiarity of this model is that each successive stage of scientific and technological progress is always supported by an enhancement of the labor division processes, which in turn required an increase in market channels volumes. The crisis of capitalism in the 1970s was caused by two reasons. Firstly, a surplus capital utilization problem had arisen again at that time in connection with exhaustion of regions for capital export. Secondly, stoppages in market channels significantly complicated the processes of STP¹ development. Therefore a tough crisis ensued, with not local, but system-wide characteristics. The dollar default was announced by the USA in 1971, and the oil crisis began in 1973. The same processes took place in the USSR (they are now called "slack"), and both of them must have looked for a way out exactly in terms of the capital efficiency increase problem, which must provide the next stage of STP. This problem had not been solved by USSR, leading to well-known results. Finally, we find that the main consequence of introducing the "financial" capitalism system was the fact that for several decades the American economy existed in conditions of constantly overestimated demand. Over the 30 years of the existence of this system, the performance indicators of the financial part of the economy have risen significantly, and the financial bubbles and structural disproportions reached such a scale that the economy could not bear them anymore. This fact is expressed through many effects, for example the market crediting rate recently stopped reacting to changes in the discount rate. There are serious reasons to believe that the slack in the US economy began some time ago, but it would not be correct to call this slack a recession, as this word is usually reserved for cyclical processes in the economy and the contemporary depression has a strong structural character. It is already impossible to stop this crisis – as a drop in demand, either inflationary, or resource-based (refusal of emission) will proceed. Thus, the extent of structural falling will be at least 25% of the present gross national product of the USA (it is already at the scale of the "Great" depression), and it will be followed by the depressive fall in volume experienced by the Russians in the early 1990s and the USA in the early 1930s, which means 30-40% from the already-reduced gross national product.

¹ STI – scientific and technological progress

Keywords: financial crisis, financial “innovations”, financial speculations, economic crisis, reaganomics, world economic leaders, “third” world and intersectorial balance.

Biography

Ecaterina Fabian is scientific researcher at the Institute of Economy, Finance and Statistics of the Academy of Science of Republic of Moldova. She is also consultant in International Economics at Centre of Economic Semiotics located in Kishinev. Ecaterina Fabian received her B.S. in International Economics from Babes-Bolyai University from Cluj-Napoca, Romania and holds an M.A. in Advocacy and Policy. Before joining the Institute, Ms. Fabian taught Macroeconomics, International Economics and Statistics at “B.P. Hasdeu” State University. At the Institute of Economy, Finance and Statistics, Ms. Fabian works in the Analytic and Informational Department and participates with a team of young scientists in empirical researches commissioned by the Ministry of Economy and Trade of the Republic of Moldova. Ms. Fabian’s area of interest focuses on macroeconomics; applied econometrics; time series econometrics; mathematical macroeconomics; macroeconomic policy and economic growth; political macroeconomic models; economic globalization and regionalization; globalization and emerging markets. She has published a number of research articles, has participated in numerous debates, scientific conferences, workshops and lectures in the Republic of Moldova and abroad, and has received fellowships including Romanian Government Fellow.

Ergin Ismail

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Global Financial Crisis and its Impact on Balkans

The primary implication of the crisis for the western Balkans has not been a sort of financial crisis, but rather an economic turbulence resulting from the lack of demand in the world markets for western Balkan products and dwindling sources of finance. Investments, remittances, industrial production, foreign exchange reserves and employment rates have fallen. Expansionary fiscal policies, on top of external trade deficits growing at record levels, call into question the ability of the western Balkan economies to finance their needs, which in turn increases their vulnerability and may lead to a possible financial crisis in the future if the global financial crisis continues until 2010. Growth forecasts are down across the region from 5% to 3%, investors are slowing projects and governments are drawing up rescue plans. Dependent on steel and metal exports, the region has been hit hard by the global slump in commodity prices and by expensive imported electricity, sending metal prices into a tailspin. An important sector that waits to be affected is the real estate market, as credits have gone down and borrowers are unable to pay back their monthly loans. SMEs that are the backbone of the western Balkan economies seem especially vulnerable to the downturn. Governments in the region have launched actions to stimulate their economies. Tumbling exchange rates raise the real burden of foreign-currency loans, forcing policymakers to keep interest rates high. What is expected to ease the conditions is the seasonally strong increase in construction, food exports and private transfers during the spring and summer seasons, expected to close the gaps that are being created by the growing external trade deficits. Increase in construction business, growing food exports and raising remittances may offset vulnerabilities in the economies and may limit further economic and financial crisis in the region.

Key words: global financial crisis, Balkans, growth, unemployment and remittances.

Biography

Ergin Ismail is the President of the Council on Foreign Economic Relations (COFER), an economic organisation with its headquarters in Skopje, Macedonia (www.coferweb.org). Previously, he has worked as certified auditor. He is trained in economics, with a degree from Bosphorous University in Istanbul, Turkey. He has also served as community adviser at various international philanthropic organisations. His general work at COFER relates to economic relations of Macedonia and the Balkans, financial markets and banking.

Academic track III: Social Sciences

Moderator: Dr. Jovan Pejkovski (Macedonia)

Rapporteur: Dr. Sándor Petho (Hungary)

Introductory remarks: Mr. Ilijanco Gagovski, President of the Board of AMCHAM (Macedonia)

Biography

Ilijanco Gagovski holds the position of Microsoft Macedonia Country Manager. His key accomplishments include: the development of core e-government services under the Strategic Partnership Agreement with the Macedonian Government; the introduction of localized versions of Microsoft Windows and Microsoft Office in the Macedonian and Albanian languages; and the development of two local e-business solutions by Macedonian IT companies under the Macedonian Software Team initiative and their introduction to ca. 400 local companies. He has also worked as an IMB Alliance Sales Representative and PC Business Unit Manager. He is a graduate of the Electro-Technical Faculty, Department of Electronics and Telecommunications (Skopje). Currently, he is the president of the Board of the American Chamber of Commerce in Macedonia.

Dr. Ninko Kostovski

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The Advantages of Industrial Clusters in a Prolonged Economic Recession

Industrial clusters have various forms and, in their essence, are very dynamic concepts. According to Porter, they are spatial concentrations of interrelated enterprises, suppliers, knowledge workers, universities, and research and development institutions, that create competitive advantages by establishing and maintaining intense linkages between them..

In Europe, industrial clusters draw much from the economic and cultural tradition of the regions. In some cases, the advantage comes from the natural resources of the regions, and there are many examples of agglomerations of knowledge-based industry clusters around notable university centers or regions, such as that around the University of Cambridge in England.

Industrial clusters allow companies to be more productive and more innovative. The Industrial clusters develop unique knowledge and skills difficult to be replicated. Thus, the Industrial Clusters in fact contribute to the competitive advantage of the region in which they exist, and this seems to be case even in the situation of a prolonged recession and economic crisis.

In this paper we explore the most probable behavior of the members of the clusters under conditions of prolonged economic crisis, examining their readiness to trade the conducive climate of the cluster for the significant tax reductions offered by other regions. In other words, we argue that the advantages of being a member of a cluster are crucial for relative growth and even survival, and that the members of successful clusters will not be willing to swap these advantages for the tax incentives offered by various regional or state authorities elsewhere.

Key words: industrial clusters, recession and tax Incentives.

Biography

Dr. Ninko Kostovski has a doctoral degree in corporate finance and capital budgeting from the State University in Skopje and a Graduate Certificate in Finance and Management from Georgetown University in Washington D.C. and the University of Wisconsin La Crosse. He is also a senior business consultant and trainer. He was involved in almost all entrepreneurship development programs and projects in Macedonia implemented by large consulting companies, such as the Education Development Center from Boston, Ecorys from the Netherlands, West Midlands Enterprise from the UK, SINTEF Institute from Norway, GHK International Ltd. from London, and many others. Dr.Ninko Kostovski teaches several undergraduate and graduate courses at the American College Skopje – School of Business and serves as a National Representative for the Republic of Macedonia on the International Advisory Board of the European Business Competencies Certificate, EBC*L.

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Husein Huseini, MA

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How do Macedonia and Turkey Deal with the Global Economic Crisis? What Steps are Taken and Should be Taken?

Macedonia and Turkey both face the consequences of the economic crisis threatening the world in 2008 and 2009. This paper identifies similar measures undertaken in both countries as well as some individual measures in each country and evaluates their efficiency in order to generate conclusions. Turkey and Macedonia are different countries in many regards. They differ significantly in their size, population, GDP, GDP per capita, economic development, growth rate, financial structure and development. However, they also share some common elements. Both are negotiating integration into the EU and consequently going through many reforms, and both have governments with one strong party that has a majority rule in local and state level. The two countries went through the local election process during March of 2009. In both countries, officials claimed that negotiation and credit agreement with the IMF is not at all necessary to overcome the crisis. Initially, both governments claimed that the crisis did not affect their countries either now or in the future. However, officials subsequently had to accept that in fact the opposite was true. Everyone now agrees that these countries did not remain untouched by the crisis. Both governments have already taken some measures and announced additional measures to cope with and minimize the effects of the crisis. A compare/contrast approach of analysis in both countries generates conclusions regarding the actions taken, the similarities between approaches, and the effective results in each country, as well as potential additional recommendations.

Key words: Turkey, Macedonia, crisis, similarities, difference and EU integration.

Biography

Nasir Selimi was born in Gostivar, Macedonia, on August 24, 1958. He finished primary and high school in his homeland. He did his graduate, postgraduate and doctoral studies in Prishtina. He held many positions, such as the vice President of the Community Council of Gostivar, consul of the general Consul of the Republic of Macedonia with its residency in New York, Department head at the Ministry of Foreign Affairs of the Republic of Macedonia, executive president of the Economic Bank of Skopje in Gostivar and Professor and Dean of the Faculty of Business Administration at the South East European University. Nasir Selimi has also achieved successful results in the field of science, numerous scientific works and three books to his credit.

Husein Huseini was born in Tetovo, Macedonia. After finishing high school, he pursued his undergraduate studies at the prestigious "KOC University" in Istanbul. Following his postgraduate studies at "Bogazici University" in Istanbul, in 2005 he started an academic career and worked as an assistant and lecturer at the Faculty of Business Administration at South East European university in Macedonia. Husein Huseini has had significant international experience in business. To name one example, he has been a partner and manager at the country distributor for Turkey of the recognized Japanese TDK company. He has also been involved in business and investment activities in Macedonia. Husein Huseini can fluently write, read and communicate in Albanian, Turkish, Macedonian, English and Serbian.

Dr. Jovan Pejkovski

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Social Aspects of the Economic Crisis – Threats and Opportunities for European Union and for the Republic of Macedonia

The global economy is in the throes of the strongest recession in history. This process is having direct negative impacts on the economic and social aspects of living standards. The EU and its candidate countries have their current policies oriented towards social security and the social protection of their citizens.

This paper analyzes several questions: How are the EU countries facing the threats of the crisis? Are there possibilities for protecting the people affected with social risks? How is social policy in the EU prepared for such threats? What could help policies of social cohesion and which aspects of social development and opportunity exist for the people? How realistic are they? Should social policies in such periods be oriented to maintain the stability of the societies?

Examining the social environment in small countries such as the Republic of Macedonia, how could they be organized towards realization of social policy during negative developmental periods? Are there some opportunities for better outcomes in small countries, or will they face the same threats, risks and consequences?

Additional factors are analyzed concerning the expectations of the people and the possibilities for entrepreneurs and businessman to discover and to use their chances. Even in periods of crisis, there are some opportunities that should be highlighted and presented as market chances. Identifying them, examining how they are linked, and discussing how to offer innovation and to realize these market chances during times of economic crisis are the main focal points of this paper.

Key words: economic crisis, social aspects, threats and opportunities, expectations.

Biography

Prof. Dr. Jovan Pejkovski works in the area of contemporary economic systems, economic development and social development. At the University American College Skopje, he teaches courses such as the Economy of the European Union and Entrepreneurship at the Faculty of Business Economy and Organizational Sciences. He is also a professor of the Institute of Social Work and Social Policy at the Faculty of Philosophy, University in Skopje.

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Poverty Risks in Albania, as a Country in Decelerating Growth, Exposed to Current Economic Crisis

Almost all developing countries are suffering from the global economic crisis. Countries are considered more exposed to economic crisis where poverty was a large problem before the crisis and where an adverse impact on economic growth is expected. The spreading global economic crisis is trapping millions of people in poverty in developing countries. These countries are facing a serious threat to achieving internationally agreed targets to overcome poverty. This study examines poverty issues in Albania caused by global economic crisis according to growth estimates: WEO January 2009 forecast and poverty: 2008 WDI estimates. Albania as a country in decelerating growth is counted among the exposed countries to poverty risks. It also uses data from domestic surveys in sample groups of people most affected by this crisis, through January 2009.

This focus of this study is threefold. First, Albania is considered as a Low Income Country and remittances constitute an important source of external financing, providing income to the poor and contributing to growth. Second, massive unemployment and acute poverty can leave individuals and the society in Albania destitute. Third, the need for adoption of social protection structures must be made a priority of the government in order to help the most affected group of people. Uncertainty about aid flows, potential declines in donor support, and tighter financing conditions are likely to impose further pressures on the Albanian budget. Important domestic policy responses include targeted spending to protect the poor, exchange rate flexibility to facilitate adjustment, and vigilant financial supervision. The drop in capital and trade flows and the weakening of the domestic economy, accompanied by an increase in unemployment numbers, will inevitably increase the pressure on national budgets. Interesting implications are explored for policy makers and public authorities in order to minimize the negative effects of the economic crisis on those in poverty.

Key words: poverty, economic crisis and growth.

Biography

Imelda Sejdini finished her studies in Business Administration, specialty: Management, in the Faculty of Economy at "Aleksander Xhuvani" University in Elbasan. She then completed her master's studies in Management in the Faculty of Economy at Tirana University. She is currently pursuing her doctoral studies in the Faculty of Economy at Tirana University, where she is a candidate for the title "Doctor of Economic Sciences". She works as pedagogue and is a lecturer of Reward Management and Business Ethics in the Department of Business Administration at "Aleksander Xhuvani" University in Elbasan. Her research interests include, among other things, research in the areas of reward management and business ethics.

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The Effects of Global Crisis on the Poor Classes in Albania and the Politics of the Government in their Defence

Although they will not feel direct effects on their own financial systems, East European countries, such as Albania, aren't totally immune from the troubles of the international financial system. These effects of the global crises of the economy have begun to be felt even in Albania. This will result in a decrease in economic development. The poor classes will be affected much more and much faster by this crisis. This article treats the effects of the crisis on these classes, particularly the risks that this crisis holds for their finances. An important factor in this is the decrease of monetary incomes from emigrant remittance and foreign investments, resulting in a decrease personal incomes. The negative effects may be worsened by the energy crises that Albania may experience from the high prices of alimentary products. The intention of this article is to examine the policies that should be enacted by the government to protect this group of people. Governments of these countries should concentrate on the social protection of the poorer classes and on the ways to overcome the crisis on their behalf.

Key words: politics, risks, crises and poor classes Albanian.

Biography

Albana Madhi finished her studies in Business Administration, specialty: Management, in the Faculty of Economy at Tirana University. After this, she finished her Master studies in Management in the Faculty of Economy at Tirana University. She is currently pursuing her doctoral studies in the Faculty of Economics at Tirana University, where she is a candidate for the title "Doctor of Economic Sciences". She works as pedagogue and is a lecturer of Strategic Management and Project Management in the Department of Business Administration at "Aleksander Xhuvani" University in Elbasan. Her research interests include, among other things, research in the areas of Strategic and Project management.

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Turkey-EU relations in a Time of Economic Crisis

2007 and 2008 have been turbulent years, even by Turkish standards. This period witnessed mass demonstrations against then presidential candidate Abdullah Gül, a great election victory by the AKP (Justice and Development Party) and the election of Gül to president in 2007 followed by a closure case against the AKP, investigation against the terrorist network Ergenekon and increased terrorist activities and military actions throughout 2008. The result was a paralysis of the political system and a near standstill of reforms; however, the economy still seemed to be on track. The first months of 2009 were dominated by the regional elections, which were held on the 29th of March nationwide. This was the major reason why the effects of the economic crisis were downplayed by the government, because after years of high economic growth, increasing unemployment and very modest growth would not have been the best election campaign slogans. It is therefore expected that after the elections there will be more debate on the extent of the economic crisis, which affected Turkey greatly since it is more integrated into the global market and more export-oriented than ever before. Parallel to these economic problems, the government announced that 2009 will see more commitment to EU-oriented reforms. Since the 9th of January 2009, Turkey has had a chief negotiator, and after the elections work on the major reforms such as a new constitution was announced. As many European countries suffer from economic crisis, what will be the impact, if any, on Turkey-EU relations in 2009? And how will Turkey cope with the economic crisis after the regional elections when the true extent of the impact will become visible?

Biography

Ekrem Eddy Güzeldere* began working in ESI's Istanbul office in April of 2007. He completed a master's degree in political sciences at the Free University of Berlin and the postgraduate "Euromasters" degree at universities in Bath, Paris, and Madrid. Before joining ESI he worked in Brussels in the European Parliament, as editor for the communication agency Walueurope in Rome, and as project coordinator for the Heinrich Böll Foundation in Istanbul. At ESI he has worked on the situation of women in Turkey, the documentary "Istanbul: Truth, Fear and Hope" and the Turkey-EU and integration debate in Germany. Currently he is working on the situation of Christian minorities in Turkey, the Kurdish question and Turkey-EU relations.

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Talent for Managing Talent in an Economic Crisis

Organizations across many industries are currently facing massive transformation as a result of the current economic downturn. Although the fact remains that the biggest challenge is to improve business performance and generate more revenue, the current global economic conditions have heightened leadership awareness regarding the importance of an organization's workforce. Based on the "80/20 rule", or Pareto principle, that roughly 20% of a company's employees contribute 80% of the income, it is vitally important to retain the key contributors in turbulent times. These top performers are most likely to find opportunities elsewhere, even in a strained labour market. According to the latest research findings, talent management is an indispensable tool for navigating a business through a recession.

Goal: This paper explores the role that talent management plays in developing, sustaining and influencing businesses in an economic and financial downturn in European companies.

Methodology: First, the paper represents a comprehensive review of the research related to talent management issues and challenges in European companies that emerged as a result of the crisis. Second, it compares and discusses best practice examples and presents recommendations for implementing effective talent management practices in the companies facing Europe's economic turmoil.

Conclusion: Dealing with times of economic turmoil is a critical business capacity. Companies that can take a positive approach, seizing opportunities in their talent initiatives during times of crisis, will have the best chance of surviving the recession and positioning themselves for future growth. Regardless of industry, the size of a company, or the type of business, talent managers are challenged to get the most productivity out of fewer employees, retain key talent, and continue attracting valuable employees despite recessionary financial constraints. Investing in talent will help ensure a company can retain the employees it can't afford to lose, while also helping the business become more competitive when the economy bounces back.

Key words: talent management, economic crises, companies, business performance.

Biography

Miodraga Stefanovska was born in 1983. She studied social work and social policy at the University "St. Cyril and Metodij", Skopje and obtained an MBA degree with Honors at UACS. She has 9 years of international experience on multicultural health and social education, particularly in the NGO sector. She represented Macedonia at the UNGASS-Children and HIV/AIDS in New York, 2002 and High-level sessions at the 2007 International AIDS conference in Toronto. As a GYCA Regional Focal Point for SEE and Central Asia, she started the process of collaboration between the private business sector and the civic society on the health and social issues and has the responsibility for the coordination of in-country activities. She has over 30 publications. As a UACS representative, her team won third place at the GEW 2008- National business plan competition. She is currently a PhD candidate at Staffordshire University Business School, UK.

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EU Enlargement and the Financial Crisis

The official position of the EU regarding enlargement is that it has to continue as the most important single policy instrument available to further a more stable and prosperous continent. Enlargement has served as an anchor of stability and a driver of democracy and the rule of law in Europe. This year's Commission report says that enlargement has brought about huge economic and political benefits for both sides. "Economically, enlargement has led to increased living standards in the new member states, while creating export and investment opportunities for the old ones," the report states.

But the economic downturn has triggered protectionist tendencies in the 27-nation bloc, threatening to undermine the benefits conferred to the EU's members from its single market. To that end, the EU will hold an emergency summit, partly to discuss protectionism. Although the main economic benefits of EU accession have been a higher degree of macroeconomic stability, easier access to larger markets (including capital markets) and very positive trade and investment flows (including foreign direct investment), the current crisis is putting at risk the substantial economic benefits gained from enlargement, especially for those countries which are not part of the Euro area. However, the EU must not allow for the crisis that occurred due to faults of the present financial capitalism to become an excuse for slowing or halting the EU enlargement process. In this context, the EU's expansion in Eastern Europe was a key factor of economic competitiveness and strengthening political stability, democracy and the rule of law throughout Europe. EU enlargement has brought prosperity to all countries without exception.

Enlargement will not fall victim to the Lisbon Treaty. The Irish rejection of the Lisbon Treaty and its uncertain future should not be used as "scapegoats" to block enlargement. Germany and France insist that there can be no further enlargement until the new treaty is in place, although their position was immediately contested by countries from Eastern Europe. Croatia, Macedonia and Turkey have official EU candidate status. While membership appears possible within the near future for the first two, Turkey's EU future is far from certain, and its entry is not expected before 2014. There is also a membership perspective for all other countries of the Western Balkans. All candidate countries must fulfil the so-called Copenhagen criteria, adopted in 1993, before they can join the EU. Those criteria are: 1. stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; 2. functioning market economy; and 3. adoption of the common rules, standards and policies that make up the body of EU law. Candidate countries can only start accession of negotiations with the EU once they meet the political criteria. Every year, the European Commission makes reports on the progress of the candidate countries. Those criteria on the commission progress reports are split into three fields: political criteria, economic criteria, and EU legal order.

Biography

2006 Member of State Election Commission of Republic of Macedonia

2004 General Manager S.C. Trgotekstil

2000-2003 Assistant Director in the Customs Department of Republic of Macedonia

1999- 2000 Counsellor in the Customs Department of R.M

1998- 1999 Counsellor in the Government of Republic of Macedonia

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Europe in Financial Crisis - a View from the Corporate Governance Perspective

The entire global financial system was contaminated by bad corporate governance on the part of banks. The problems in the banking sector disseminated at the speed of light throughout the whole financial system and real economy. Usually, the failure of a bank is a result of a failing system of corporate governance.

This paper focuses on the crisis in Europe from a corporate governance perspective, with a special emphasis on banks vis a vis the American banks that infected the global economy. The corporate structure in European banks is based on two-tier system and has more adequate risk management. The purpose of a risk committee is not the elimination of risk but its adequate management. In my paper, I use the comparative method and make an analysis regarding the comparison between the situation on the two sides of the Atlantic Ocean.

At the European level, the Commission supported a few rescue packages, but that step was coordinated within the social and economic context. The prescriptive politics within the European Union in the banking sector had determinate less risk exposed system and that is why the convergence should be made in this line.

The distinction between the Anglo-American and European-continental models of corporate governance is no longer as strong as it was in the past, because in the USA there was a state intervention par excellence. That model was based on the market (everything was supply and demand, and the state was not established as a stakeholder in the system). I strongly believe that a convergence of the models is possible - not on a general basis, but at the level of the sectors (ex. banking sector), and that the convergence will happen in favor of the European-continental model.

Key words: corporate governance, banks, European-continental model, Anglo-American model.

Biography

Danica Miladinova was born in 1983. She works as a teaching assistant in the Faculty of Law "Iustinianus Primus" - Macedonia in the area of company law. She holds a master's of science degree in business law from the same faculty. In 2008, she acquired the title of specialist in the area of corporate governance from the Faculty of Economics - Skopje and the International Finance Corporation. Her interests includes business law, corporate governance and insurance law.

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Economic Crisis and IT Sector: Threats and Opportunities for Macedonian IT Companies

This paper does not discuss the source or the reason of the crisis, instead it focuses on the opportunities and benefits it offers the IT companies. The IT industry was hit in 2001 by a dot-com bubble, and the key drivers that helped to revive the industry were government regulations and mandates like SOX. Governments have created tight rules and regulations that increased security, risk management, and reporting, as well as furthering transparency. All of these areas obviously depended on sophisticated and usually expensive information systems. Now companies, as well as governments, are again faced with the same or even bigger problems. As a result, there will be new rules, policies, and regulations in many areas. In order to achieve this, companies and governments will need sophisticated systems for control and reporting. This is a clear opportunity for:

- 1) software-developing companies - to benefit through creating the new software offering the requested solutions and
- 2) for system-integrating companies - to integrate this new system with the existing one.

The economic crisis that began in the USA in 2007 forced many businesses to fail, but many others formed strategic alliances and mergers with other big companies. As a result, many integration works between massive IT infrastructures were undertaken. This trend will continue in the following years. This positive example for IT companies is the opportunity in the years of economic crisis. In Macedonia we have a famous quote: „додека некому не му се стемни, на друг нема да му се раздени“ ("Fortune to one is mother, to another is stepmother") and in such times of crisis its real meaning becomes clear.

Where are the Macedonian IT companies? The following year will be very hard for those IT companies in Macedonia that deal only with the distribution of hardware components. Many companies will reduce their budget expenses or postpone new investments in IT infrastructure, and the continued existence of these IT companies will be uncertain. So what are the possible solutions for the survival of these companies? On the other hand, outsourcing companies in Macedonia will have an opportunity to expand their businesses. Many Western European and USA companies will shift their development into developing countries mostly because of labour market expenses. The Macedonian IT sector will have the chance to seize this opportunity. Let's look at the bright side: It is always darkest before dawn. Isn't it?

Key words: IT industry, crisis, opportunity and threat.

Biography

Igor Hristov is a manager with ITS Iskratel Skopje, as well as a teaching assistant at UACS. He is a graduate of the Faculty of Electrical Engineering (Information and Communication Technology). Currently, he is pursuing post-graduate studies at the University American College Skopje (MBA in General Management – master's thesis in preparation). Igor's education is a combination of an excellent technical background in the field of Information and Communication Technology and post-graduate managerial education from the best private university in Macedonia. His professional background in ICT includes more than seven years of experience within international companies. The company ITS Iskratel has been the major provider of telecommunications equipment in the Republic of Macedonia for the last 50 years. The company is a daughter company of ISKRATEL, which is partly owned by SIEMENS.

Closing session

Moderator: Dr. Ivan Dodovski (Macedonia)

Rapporteurs: Dr. Charalambos Tsardanidis (Greece)

Dr. Gaspar Biro (Hungary)

Dr. Sándor Petho (Hungary)

Summaries, Q&A

Biography

Dr. Ivan Dodovski holds a BA (*summa cum laude*) in general and comparative literature with American studies and an MA in Macedonian literature with theory of literature from Ss. Cyril and Methodius University in Skopje, Macedonia. He received his PhD from the University of Nottingham, England. His area of specialisation is narratology. His current research interests are in the field of cultural studies, identity representation, and contemporary Balkan drama. He is an author of three poetry books and a collection of short stories. He writes theatre reviews for several Macedonian newspapers. He has previously worked as the programme director for arts and culture at the Foundation Open Society Institute – Macedonia and as a freelance consultant in the field of cultural policy and management. He has been a member of the Macedonian Writers' Association since 2002.

Dr. Charalambos Tsardanidis studied Political Science at the Department of Political Science, University of Athens, (B.A.), European Studies, (M.SC) and International Relations (Ph.D.) at the London School of Economics and Political Science. From 1985 to 1993, he taught at the Panteion University and from 1985 to 1987 at the Naval Academy. From 1986-1989, he worked as a research associate at the Foundation for Mediterranean Studies, Athens and from 1989-1992 at the Hellenic Centre for European Studies. During the same period, he was head of the programme for Eastern and Central Europe at the Institute of International Relations, Panteion University. Since March 1993, he has been the director at the Institute of International Economic Relations, and he has taught at the Public Administration School of Greece, at the Department of International and European Studies in the University of Pireus, and at the Open University of Greece. The author of ten books and co-editor of eight articles, Dr. Tsardanidis has appeared in the *Revue Hellenique de Droit Internationale*, *Journal of Common Market Studies*, *Journal of European Integration*, *Journal of Political and Military Sociology*, *Journal of Area Studies*, *Southern European Yearbook*, *Defensor Pacis*, *Le Courrier des Pays de l'Est*, *Perceptions*, and other publications.

Dr. Gaspar Biro (Hungary) is a professor of International Relations in the Institute of Political Sciences, Faculty of Law at Eötvös Loránd University, Budapest. He is also a member of the Hungarian Political Science Association and the Foreign Affairs Association. He has presented his work in a number of major international conferences on international relations, human rights and the protection of minorities. His studies on international relations, the protection of human rights and the rights of minorities, among others, have been published by: the United Nations Association of the USA, Institut Universitaire de Hautes Études Internationales, ICES Kandi, Sri Lanka, La documentation Française, Central European University, Budapest, and Lit Verlag Münster-Hamburg-London.

Dr. Sándor Petho of Hungary is a scholar of Legal Sciences, Philosophy, Theology, Classical Studies, and Oriental Studies. His degrees include: LLD, PhD, CSc, MTh (MA Theology), MA (Classical Studies, ancient Greek and Latin), and Dr. habil. (phil.). He is currently a professor of Philosophy and the head of the Department of Philosophy, as well as the Vice Dean of Karoli Gaspar Reformed University Faculty of Theology, Budapest. His published books include *Nom and Exception: The Way of Carl Schmitt to the Totalitarian Theory of State* (1993), *Demos or Deus? Two Theories of the Sovereignty in Western Political Thought* (2001), and *Arcana imperii: The sacrum and politicum in the ancient Greek Political Theory* (2008). He has been a visiting lecturer in Germany, Switzerland, Austria, Italy, and France.

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