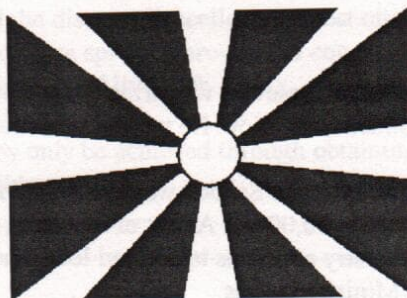


# This Month in Macedonia

## April, 1997



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### Banking Scandal Spreads

The saga of Macedonia's insolvent banks began this month much the way it ended last month as Minister of Urbanism, Civil Engineering and Environmental Protection Jorgo Šundovski resigned under fire. Šundovski's wife is accused of transferring business funds to cover DM 100,000 in personal losses incurred as a result of TAT Bank's collapse. Liberal Party leader Stojan Andov demanded the withdrawal of ministerial immunity to facilitate the unobstructed investigation of Macedonia's bank scandal. (*Articles 64, 83, 89, 100, 104, 107 and 111 of the Macedonian Constitution grant various members of the government immunity from prosecution -- ed.*)

Numerous government figures have been implicated in the TAT scandal: In addition to Šundovski, TAT director Sonja Nikolovska's web has implicated NBM Vice-Governor Tome Nenovski; Bitola mayor Siljan Micevski; Ice Damčevski, the Bitola bureau chief of Macedonia's Directorate for Security and Counter-Intelligence; up to 8 members of parliament; and many underlings, associates and family members. Even Nikolovska's lawyer is facing a charge of evading DM 8,000 in taxes.

Over the course of the month, several of the key figures in the TAT scandal were released on bail: Nikolovska after DM 1.1 million bail was posted by family and 'friends'. Director of the Bitola offices of the Payment Flow Institute Julija Atanasovska was released on DM 350,000 bail. Micevski and his wife made DM 750,000 bail by mortgaging their house and nine houses belonging to their 'friends', after a previous bail proposal of DM 290,000 was rejected. The court refused to release Nenovski.

The trial of Nikolovska and three of her associates was suspended after one day as Nikolovska tried to swing a deal to avoid further prosecution. There are rumors she has a list of the privileged investors who withdrew millions of DM in the days before the TAT scandal broke. Those individuals have managed to remain anonymous, but if Nikolovska goes down she may take them with her.

At least DM 30 million was withdrawn by 50 people the first six weeks of 1997 -- just before the scandal broke. Nikolovska's lawyers claim the run was a government plot to bring down TAT. NBM Governor Borko Stanoevski downplayed the run, claiming the losses were nearly offset by DM 23 million worth of inflows.

But the NBM's own investigation shows that TAT's assets are worth DM 37 million, while its liabilities exceed DM 110 million. Even if TAT's exorbitant 'interest' rates are deducted, it's liabilities still amount to DM 48.7 million --

putting it nearly DM 12 million in the hole. Meanwhile, The ALFA-S bank owes its depositors DM 5.8 million, while the Lavci bank owes its depositors DM 4 million.

The Macedonian government set up a DM 20 million restitution fund for the defrauded investors in TAT, ALFA-S and Lavci. Investors will each receive a DM 500 interest free loan each month for the next six months, to tide them over until litigation settles their claims against the banks.

TAT's collapse has reduced business by up to 90% in Bitola. The majority of consumers appear to be awaiting the final outcome of the government's investigation.

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## Other Financial Scandals

- Makedonija Reklam owner Zore Blaševski was arrested in Slovenia, where he fled after embezzling DM 20 million from his pyramid-funded institution. He will be extradited back to Macedonia.
- Interior Ministry finance chief Slavčo Sazdov was suspended for financial irregularities. Sazdov is accused of paying DM 2.26 million for DM 700,000 in APCs; of receiving four cars as a kickback for the purchase of 200 cars for the Ministry; granting Ministry contracts to favored local businesses; and receiving cash kickbacks from an antique shop for decorating Ministry offices.
- The Monetary Market and Stock Exchange of Skopje has failed to forward both interest and capital payments to clients for over a year. It owes DM 1.65 million to 100 clients. The Veles Municipal Court is among the investors -- at an monthly interest rate of 8.5%. The company is also DM 500,000 in arrears on its taxes.
- The owner of Invest Bank, Mihajlo Buklevski, is in prison after embezzling DM 1.7 million from his bank's clients. Buklevski used the proceeds to build hotels, restaurants and casinos -- promising to use the gambling proceeds to pay back his defrauded depositors.
- Employees of the International Trade Bank (ITB) have accused the company's bankruptcy manager of fleecing them to the tune of DM 500,000. The fate of these funds, whose existence has been confirmed, remains unknown. The manager claims that the funds were used to cover negative balances in employee bank accounts. ITB was known as Jugobanka prior to its reorganization.
- Dimitar Zarčev, the former mayor of Ohrid was arrested on charges of fraud, forgery, corruption and violating the Law on Hard Currency Transactions. Zarčev is accused of generating DM 340,000 in illegal profits.
- The Žitomel Bakery is being investigated for substituting state-subsidized wheat for cheaper barley. The scheme cost the Macedonian government DM 50,000. The bakery is also unable to account for 27 tons of missing flour.
- A Coopers & Lybrand audit of Skopje's city finances revealed a DM 23 million deficit for 1996. Less than half the expected receipts were collected. Skopje Mayor Risto Penov attributed the short fall to 225 companies defaulting on payments to the state construction utility and there being no register of those required to pay taxes.

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## Nuclear Smuggling

Macedonian police arrested two Macedonian nationals in the Skopje suburb of Lisiče for attempting to sell 250g of radioactive Uranium 238. A kilo of Uranium 235 isotope is needed to build an atomic bomb. The highly radioactive substance was detected in leaden containers marked "Made in Russia". The container had been for sale on Skopje's black market for over a year. The container is only one of four intended for the Near East that were seized by Bulgarian police in 1995. All four were eventually lost.

Meanwhile, Albania's Defense Ministry reported that "dangerous radioactive substances" and "toxic substances" were stolen from four storage facilities during rioting earlier this year.

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## Brucellosis Outbreak

Hundreds of goats, sheep and cattle had to be slaughtered after an outbreak of brucellosis. The Ministry of Agriculture supervised the slaughter at sanitary facilities. The meat may still be sold after thermal processing. The government is attempting to compensate farmers, but there is considerable resistance to disclosing contaminated animals as the farmers fear the destruction of their entire herds / flocks.

The outbreak began in Gjermo, a village near Tetovo, quickly spreading to Tetovo, Prilep, Titov Veles and Skopje.

Over 100 humans have contracted the disease. Brucellosis is most often transferred to people via goats and sheep (less frequently from pigs and cattle). The disease spreads through the consumption of non-pasteurized milk, dairy products made from such milk, and the meat of contaminated livestock.

Timely detection of brucellosis may only be achieved through obtaining blood samples of all livestock, as the disease is not characterized by any clearly visible symptoms.

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## Economic Indicators

Industrial production in Macedonia rose by 4.3% the first quarter of this year -- in comparison to the first quarter of 1996. The positive figure is attributed to an increase in the production of consumer goods, which constitute approximately 40% of overall industrial production. Production rose in 15 of 32 surveyed industrial branches. Electricity generation, heavy metallurgy, equipment, chemical, food and tobacco rose the fastest. These branches represent 44.5% of overall industrial production.

The IMF estimates that Macedonia's economy will grow at a rate of 5-6% this year -- more than most of the countries in Eastern Europe.

The average Macedonians' pay is keeping pace, having grown 5.8% over the past year. However, 24.1% of the labor force did not receive pay checks in February.

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## Political Shuffling

- The Democratic Party of Macedonia (DPM), the Party for All Macedonian Action (MAAK), the Macedonian Peoples' Party and VMRO-MNDS announced a merger. More than a coalition, they will form a new centrist party -- Democratic Only, Forward (DEM). DPM leader Tomislav Stojanovski will lead DEM.
- The Democratic Party (DP), not to be confused with the Democratic Party of Macedonia, and the Liberal Party (LP) also announced a merger. The new party will be known as the Liberal-Democratic Party (LDP). Current DP leader Petar Gošev will head the LDP, while LP leader Stojan Andov will chair the party council. The LP had previously merged with the Alliance of Reform Forces of Macedonia (SRSM) party.
- Justice minister Vlado Popovski was appointed as the new Director of the Macedonian Intelligence Agency. Popovski is a historian, law professor and former minister of Defense.
- Health Minister Ilija Filipče, M.D., resigned because, he said, he was being prevented from conscientiously conducting his duties. Prime Minister Branko Crvenkovski had considered firing Filipče due to several public health scandals and the medical community's lack of confidence in him. Filipče had been investigating the suspicious dealings of the Skopje Clinic Center and the Zegin pharmaceutical company, which he claimed had "devoured" several million DM.

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## News Tidbits

- Macedonia requested that the U.N. extend the mandate of its 1,050-soldier UNPREDEP peacekeeping mission. The defense ministers of the Nordic countries participating in UNPREDEP agreed that an extension is a good idea. The UNPREDEP mandate expires on May 31. In the meantime, the U.N. Security Council suspended the planned reduction from 1,050 to 750 peacekeepers. Sweden, Denmark, Norway and Finland contribute half of UNPREDEP's; the U.S. contributes the other half.
- A U.S. Special Forces team spent the month in Macedonia training 24 of their Macedonian counterparts in U.S. small unit tactics and operations. The exercise closed with a joint parachute drop at Prilep airport. The exercise was part of "Instructor '97", a 'train the trainer' program implemented by the Macedonian Army.
- Macedonian Defense Minister Blagoj Handžiski met with William Cohen, his American counterpart, in Washington.
- Macedonia reopened its border with Albania. The situation on the border has quieted down, though occasional gunshots can be heard nearby. Attempted illegal border crossings have not increased, though Macedonian police and soldiers are still patrolling the border.
- Macedonia reprogrammed its DM 157 million debt with Germany, which also agreed to give Macedonia another DM 30 million. The new funds are earmarked for a railway from Kumanovo to Bulgaria, environmental protection for Lake Ohrid, and the construction of water supply systems. Another DM 350 million is needed to complete the railway, which is essential to Macedonia's economy as it would provide the only outlet to the sea other than through war-ravaged Yugoslavia or embargo-prone Greece.
- Worker safety declined in Macedonia last year. Ten workers died in accidents: four in industrial production and two each in agriculture, construction, transportation, and communications. Government inspectors suspended the operations of 162 businesses for safety violations, 40% more than in 1995. Most of the violators were construction or electric companies.
- The Macedonian stock market lost DM 3.3 million on long-term bonds in 1996.

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## Factoids

- Prior to obtaining its independence in September, 1991, Macedonia had existed as an independent political entity for only two hundred years in recorded history -- the last time being 165 B.C.
- Saint Paul's Epistle to the Philippians was written to a Christian community in eastern Macedonia. Ancient Philippi is located near modern day Kavalla. Its temple and amphitheater still exist.
- Macedonia (*Makedonija* in Macedonian) gets its name from the poppy flower (*mak*). It's many poppies make Macedonia one of the world's largest producers of legal opium for medicinal use.

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*This Month in Macedonia* is an unclassified, unofficial, open-source product of the Public Works & Utilities Team, 432nd Civil Affairs Battalion; CPT Preston V. McMurry III, editor. For more information, see the *Macedonia Area Study*.

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