Macedonia Country Commercial Guide Template

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Doing Business in Macedonia

Market Overview

- Macedonia is a small market with low purchasing power.

- Macedonia continues to take steps to attract foreign direct investment (FDI). High-level corruption and rule of law issues, however, remain concerns.

- Democratic backsliding and a protracted political crisis have stalled Macedonia’s accession to the European Union and NATO.

- In addition to name issue with Greece, democratic backsliding and a protracted political crisis have stalled Macedonia’s accession to the European Union and NATO.

- Macedonia has maintained a sound macroeconomic foundation for a number of years. GDP in 2015 grew by 3.7 percent, inflation was -0.3 percent, and the government budget deficit was 3.5 percent of GDP. The currency is stable and pegged to the euro, and currency devaluation is unlikely. The last devaluation of the currency happened on July 9, 1997.

- In April 2016, Standard & Poor’s affirmed its sovereign credit rating for both foreign currency and local currency debt for Macedonia at “BB-/B” with a stable outlook. In February 2016, Fitch Ratings affirmed its long-term credit rating of the country for both foreign and local currency at “BB+” with a negative outlook.

- Macedonia is open to international trade, with total 2015 trade (imports plus exports) reaching USD 10.9 billion, or 107.9 percent of GDP.

- The largest trading partners in 2015 were Germany (25.7 percent of total trade), Serbia (6.4 percent), Great Britain (6.1 percent), Greece (6.1 percent), and Bulgaria (5.6 percent).

- In 2015, the United States was Macedonia’s 22nd largest trading partner. U.S. – Macedonia bilateral trade totaled USD 136.6 million, of which U.S. exports were USD 96.1 million. This is a decline in U.S. exports to Macedonia of 32.7 percent compared to 2014.

- Macedonia has signed bilateral Free Trade Agreements with Turkey and Ukraine. It is also a member of multilateral trade agreements, such as the EU Stabilization and Association Agreement (SAA), European Free Trade Agreement (EFTA), and Central European Free Trade Agreement (CEFTA).

- Countries with the largest FDI in Macedonia are Austria (13.3 percent of total), Slovenia (10.2 percent), Germany (9.5 percent), Greece (8.0 percent), and the Netherlands (7.8 percent).
Market Challenges

- There are no legal barriers to foreign businesses entering Macedonia. In fact, the law provides incentives for foreign investment, and the government is actively promoting Macedonia as a desirable investment location. The World Bank’s Doing Business 2016: Measuring Regulatory Quality and Efficiency report ranked Macedonia as the 12th (out of 189 economies) best country in the world in which to do business. However, challenges to doing business in Macedonia remain.

- The country’s weak judicial system and significant levels of corruption present challenges. The courts are slow, inefficient, and subject to political pressure and corruption, making it difficult in some instances to enforce contracts. Some companies complain that the inspections regime is extortionate and sometimes is used to punish perceived political enemies.

- There is excessive “red tape” in the public administration.

- Enforcement of intellectual property rights is weak and inconsistent.

- The cadastre system of real estate property titles is poorly maintained and incomplete. An ongoing reform program is addressing this challenge.

Companies have reported difficulties in collecting payments from both public and private sector entities.

Market Opportunities

- The most successful U.S. trade products in Macedonia have been frozen meat products, computer hardware and software, pharmacological products and equipment, and specialized technology. Energy – The government has privatized some energy assets and is providing concessions for other energy opportunities. The private electricity distribution company continues to make substantial infrastructure investments.

- Transportation – As Macedonia upgrades its transportation infrastructure, there are opportunities in this sector.

- Information Technology and Computers – This growing sector continues to provide opportunities for U.S. companies.

- Construction – There are both export and investment opportunities available for U.S. companies in the construction and building materials sector.

- Tourism – The country’s geographical location, scenic areas, and historic and religious sites provide opportunities for tourism industry investment, development, and management.

- Agriculture – Agriculture is an important segment of the economy, and there are opportunities for trade and investment in agricultural and food processing equipment.
Market Entry Strategy

The decision on how to enter the market in Macedonia can have a significant impact on results. Depending on the product or service, and long-term strategy, U.S. companies may choose direct exports to an end-user, various distribution models, licensing, joint ventures, or direct investment.

To discuss market entry options, please see [http://www.export.gov/macedonia/](http://www.export.gov/macedonia/); or contact Mr. Arben Gega, Commercial Specialist at the U.S. Embassy in Skopje, via gegaa@state.gov.

Political Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

[http://www.state.gov/r/pa/ei/bgn/26759.htm](http://www.state.gov/r/pa/ei/bgn/26759.htm)

Selling US Products & Services

Using an Agent to Sell US Products and Services

U.S. companies seeking to market and distribute their goods will find a considerable number of merchants, agents, middlemen, wholesalers, and retailers available in Macedonia. All of the typical distribution channels are available, although they often lack the sophistication of distribution networks found in western markets. The most significant marketing area in Macedonia is the capital, Skopje (population over 600,000), where most business activity is based. Other major business centers include Bitola (population 75,000), Kumanovo (population 71,000), Prilep (population 67,000), and Tetovo (population 53,000).

Macedonia's retail sector is dominated by small shops. Retail outlets vary from roadside shops and open air markets to city storefronts and shopping centers. A few malls and department stores can be found in the larger cities. While many stores specialize, it is still common to find stores with an unusual mix of merchandise (bicycles sold next to paper products and small appliances, for example).

In 2012, a modern and multifunctional retail center, Skopje City Mall, designed by U.S. Laguarda Low Architects, opened. There are a few other shopping malls in Skopje, and many shops carry Western goods. The Greek supermarket chain Veropulos (“Vero”), which entered the market in 1998 with two stores in Skopje, has since added eight more in Skopje, Bitola, and Tetovo, and has plans for expansion into other parts of the country. In 2010, Veropulos opened a shopping center – Vero Center – in Skopje. The Turkish supermarket chain “Ramstore” has eight stores in Skopje, three in Tetovo, one each in Struga, Ohrid and Kumanovo, and is continuing to add more.

Consumer-oriented trade shows are an important part of the retail sector. Frequent sector-specific shows such as furniture shows and consumer electronics shows attract regional and local buyers and sellers.
Establishing an Office

As specified by the Company Law (Official Gazette No. 28/2004; 84/2005; 25/2007; 87/2008); the following forms of business can be established in Macedonia: general partnership, limited partnership, limited liability company, joint-stock company, limited partnership by shares, and sole proprietors. In addition, foreign companies can open branches in Macedonia, as well as representative offices to carry out non-income generating activities and craftsmanship. We strongly suggest that anyone interested in opening a business in Macedonia review the company registration process at http://www.doingbusiness.org/data/exploreeconomies/macedonia-fyr/starting-a-business and work with a reputable local business consultant or attorney.

As of January 2006, the Central Registry established a single window system for registering a business (http://www.crm.com.mk/), eliminating the lengthy procedures that had been an obstacle to establishing business entities. Many business people, however, complain that significant bureaucratic hurdles for starting a business remain.

The total initial cost of establishing a business office is approximately 11,000 denars (per NBRM May 2016 middle exchange rate: USD 200).

Franchising

Holiday Inn opened a hotel in downtown Skopje in 2000, and the Best Western Plaza opened in 2002. As of June 2014, Domino’s Pizza is operating three restaurants in Skopje and has plans to open two more. Burger King is present with four restaurants. Coca-Cola and Pepsi Cola both have franchisees in country. Other U.S. franchisees in Macedonia are Marriott, Diners’ Club, Western Union, Converse, and Nike. Many European retailing companies, such as Big Star, Diesel, Benetton, Mango, Zara, Massimo Dutti, Pull&Bear, Bershka, and Bitsiani, have established outlets in Macedonia.

A McDonald’s franchise in Macedonia operated seven restaurants from 1997-2013, until the business partnership between two franchise owners became unworkable and the McDonald’s Corporation revoked the franchise license.

The best prospects for franchising opportunities are restaurants and consumer or commercial retail stores.

Although franchising is still a relatively unexploited concept for the business community in Macedonia, the legal system in Macedonia accommodates franchise agreements. Franchises have some advantages over domestic companies due to tax breaks and incentives.

Direct Marketing

Direct marketing is not well developed in Macedonia. Direct marketing techniques need to be refined and legislation for consumer protection strengthened. Mail delivery is frequently unreliable, however, and people generally prefer to deal with local vendors. AVON has found success in the direct sale of cosmetics. Currently, at least one business is using the television home shopping channel, “Teleshop,” to sell sports equipment, kitchen tools, household cleaning products, and health and beauty supplies. Internet marketing is an insignificant portion of the advertising market. Telemarketing is not generally used in Macedonia.
Direct marketing through the internet from the United States to Macedonia is still quite difficult. Credit card use in Macedonia lags behind other countries in the region. With increased confidence in the banking system, debit cards are becoming increasingly popular. Due to low purchasing power, the high cost of shipping, and lack of security for parcels and mail at most homes, catalog shopping and internet shopping from the United States is in its infancy.

Macedonia’s Law on Personal Data Protection requires that customers be given the opportunity to object to the processing of their personal details and to opt-out of having their personal data used for direct marketing purposes.

**Joint Ventures/Licensing**
Existing legislation permits joint ventures, mixed ownership investment, and both foreign and domestic investment. Joint ventures between foreign and local companies are common.

**Selling to the Government**
In November 2007, the Law on Public Procurement was adopted (Official Gazette 136/2007 – [http://bjn.gov.mk/bjn-portal/wordpress/?attachment_id=734](http://bjn.gov.mk/bjn-portal/wordpress/?attachment_id=734)) to help increase the transparency of the government’s tendering procedures, to provide consistency with other legislation and to strengthen the legal protection of bidders. The Law on Public Procurement was prepared with U.S. Agency for International Development ([http://www.usaid.gov](http://www.usaid.gov)) assistance. Some tenders are restricted to domestic companies, and foreign companies are ineligible to participate (especially in the area of defense). By law, both local and foreign potential providers are treated equally. However, experience has shown that the tendering process is not consistently transparent. Requests for assistance regarding the tendering process can be directed to Mr. Arben Gega, Commercial Specialist at the U.S. Embassy in Skopje, via [gegaa@state.gov](mailto:gegaa@state.gov).

The central government, municipal institutions and agencies, or any entity receiving budgetary funds must use public procurement procedures. A simple tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases) must precede the contract to ensure competitiveness, equal opportunity and fairness. Companies should review tender specifications closely to ensure that they are not written to limit competition ("lockout" specifications). Businesses should also be aware of widespread reports of late payments by the central and municipal governments to the private sector, which can cause financial difficulties for some companies.

Tenders financed by the World Bank and other international financial institutions must be conducted pursuant to the respective organization’s procurement guidelines. This means that the tendering process is conducted in an open and transparent manner, with the emphasis on meeting tender specifications and price competitiveness. Requests for assistance regarding the World Bank tendering process can be addressed to the U.S. Executive Director’s Office at the World Bank in Washington DC ([http://www.worldbank.org/en/about/leadership/directors/eds01](http://www.worldbank.org/en/about/leadership/directors/eds01)), and the requests to the European Bank for Reconstruction and Development (EBRD) can be addressed via the US&FCS Commercial Liaison Office to the EBRD phone number: +44-20-7338-7493.

Macedonia is not a party to the WTO’s Agreement on Government Procurement (GPA). It has undertaken a commitment, in its WTO accession protocol, to initiate accession to the GPA and currently participates in the GPA Committee as an observer.
Distribution & Sales Channels
Although Macedonia is a small market, and there are no major distribution or warehousing operations, it has the potential to be a gateway to the markets of Central and Eastern Europe by virtue of its strategic location at the crossroads of European Transportation Corridors 10 and 8. Although the road network needs improvement, Macedonia has easy access to sea ports in Greece, Albania, Bulgaria, and Montenegro.

Retail trade is still quite fragmented with a large number of small independent outlets that include specialized shops, supermarkets, kiosks, street vendors, open-air markets, and wholesale centers.

Specialized shops have developed rapidly, and are usually located in larger cities. There is a growing number of large domestic and foreign retail stores that continue to gain market share.

Express Delivery
Major express delivery service providers, such as FedEx, DHL and UPS serve Macedonia. Express shipping generally takes three to four business days. Customs procedures are sometimes unduly burdensome. For example, goods that pass through customs are released only after the payment of required duties. Currently, the de minimis threshold for goods that pass through customs is about 1,350 denars (per NBRM May 2016 middle exchange rate: USD 25).

Selling Factors & Techniques
Disposable income in Macedonia remains relatively low when compared with Western European countries. Most consumers purchase goods primarily based on price. The focus on price is reflected in the relatively poor quality of merchandise in traditional shops. Shops often carry counterfeit brands which indicates the importance of brand image to consumers. The importance placed on quality is growing, however, as income rises.

Many consumers prefer monthly installment payments for purchases. Financing and payment terms play a key role in sales. Some local firms are beginning to focus on quality and support services to attract customers, and some domestically produced products occasionally offer exceptional quality.

Market size statistics are unreliable in predicting market responses. While low official disposable income statistics might initially discourage market entry, the size of the unofficial economy and inferences from observing actual sales activity paint a brighter picture. First-hand observation on the streets and in the shops is essential for gauging the amount of actual economic activity in Macedonia.

Strong local contacts are important for success in Macedonia. U.S. companies pursuing the market should be prepared to spend time cultivating relationships and find a local representative to provide product support. Typically, one agent or distributor can cover the entire country effectively.

eCommerce
E-commerce transaction volume in Macedonia is low, both for internet merchants, who sell products online, and consumers, who shop online.
On the consumer side, the biggest issues have been relatively low internet penetration for many years and the low penetration of e-commerce enabled credit cards. In addition, due to security concerns stemming from fear of identity theft, internet transactions originating in Macedonia have been blocked by several major e-commerce sites, such as eBay and PayPal.

Macedonia’s State Statistical Office estimates that almost 70 percent of households have access to the internet. According to December 2015 statistics from Eurostat, the statistical office of the European Union, 11 percent of Macedonians made an online purchase during the preceding 12 months.

Following is a set of laws and regulations that are relevant for e-commerce in Macedonia:

- Law on Electronic Data and Electronic Signature;
- Electronic Communications Law;
- Law on Value Added Tax;
- Law on Consumer Protection;
- Trade Law;
- Law on Payment System;
- Law on Registration of Cash Payments;
- Regulation on Exemption from Customs Duties.


Trade Promotion & Advertising
Advertising is one of the fastest growing industries in Macedonia. All forms of media are widely used: newspapers, magazines, television, radio, outdoor billboards and other signs. The following advertising media are preferred by companies in Macedonia (in descending order): print media, newspapers and magazines, radio, outdoor billboards/signs, trade shows, sales promotion literature, event sponsorship, and television. Commercial television airtime is too expensive for many companies in Macedonia, and the cost is rising. As a result, the leading users of television advertising are mainly foreign-affiliated companies, especially those specializing in consumer products. It might be necessary for a U.S. supplier to assist its agent or distributor in Macedonia to cover the cost of television commercials.

Broadcast Media – In addition to the state-owned broadcaster, which is funded largely from the national budget and government advertising, there are nine private television stations with national coverage, five national television stations broadcasting via satellite, and 49 private local and regional
television stations. Cable TV is increasingly popular with growing numbers of regional stations. There are 72 radio stations.

Print Media – There are six major, privately owned daily Macedonian-language newspapers and three Albanian-language dailies in Macedonia, with a number of specialty magazines in those languages. Kapital is a respected weekly magazine that focuses on economic and financial topics and includes frequent in-depth analysis.

All major broadcast and print media offer up-to-date web editions, and there are a growing number of online media outlets. Social media networks are growing, especially Facebook, which boasts 1,000,000 registered users from Macedonia.

Selected print media:

Utrinski Vesnik (Macedonian language)  
(Marketing Services)  
Tel: 389-2-308-9256  
Fax: 389-2-308-9258  
E-mail: marketing@utrinski.com.mk  
Website: www.utrinski.com.mk

Koha (Albanian language)  
(Marketing Services)  
Tel: 389-2-317-9904  
Fax: 389-2-311-8060  
E-mail: marketing@koha.com.mk  
Website: www.koha.mk

Dnevnik (Macedonian language)  
(Marketing Services)  
Tel: 389-2-308-9241  
Fax: 389-2-308-9251  
E-mail: reklami@mpm.com.mk  
Website: www.dnevnik.com.mk

Lajm (Albanian language)  
(Marketing Services)  
Tel: 389-2-329-6258  
Fax: 389-2-329-6259  
E-mail: lajm.sk@gmail.com  
Website: www.lajmpress.com

Kapital (Macedonian language)  
Tel: 389-2-329-8110 / ext. 103  
Fax: 389-2-329-8111  
Website: www.kapital.mk

Business Directories, or “yellow pages,” have been introduced to the market. Their popularity and usage is increasing.

- www.yellowpages.com.mk
- www.zlatnakniga.com.mk
Outdoor Advertising - Quality outdoor advertising as an organized marketing effort is new to Macedonia and limited to larger cities and main roads/highways. Most outdoor advertising is limited to billboards, buses, large signs, and some electronic displays.

Direct Mail - With improved postal service, direct mail advertising is slowly increasing.

Retail/Point-of-Sale Advertising - Point of purchase promotions are not common but are growing in popularity. Retail stores often treat retail and/or point-of-purchase advertising as a secondary activity. Likewise, merchandise is stocked on shelves with little consideration for appearance. Unless there is assistance from a producer or distributor, retailers will rarely make an effort to enhance point-of-sale advertising. Coca-Cola, for example, has pursued a visible point-of-sale (shops, bars, restaurants, hotels, gas stations) marketing campaign that involves posters and coolers with company logos.

Trade Events/Fairs - Trade fairs are particularly good promotion channels for industrial products in Macedonia. Local and foreign firms rely on trade fairs to build business connections, gain market visibility, and learn about new technology. A list of upcoming fairs and events appears in the appendices. An updated list can be found at http://www.eragrupa.mk/kalendar/PDF/kalendar2016.pdf.

Sponsorships and Special Promotions – Special events offer an excellent avenue to launch new products. Because event promotion is new to the country, it offers an opportunity for a company’s products or services to stand out.

Advertising Agencies - Advertising and marketing agencies have developed over the years and offer a full range of services. Read under: Local Professional Services.

Pricing
According to official February 2016 data, per capita monthly income in Macedonia is 21,813 denars (per NBRM May 2016 middle exchange rate: USD 406). Consumers are extremely price sensitive. Imported products tend to be priced substantially higher than locally produced goods. As mentioned earlier, favorable financing may be a critical selling factor for big-ticket items. An 18 percent value added tax (VAT) is charged on most goods and services.

Sales Service/Customer Support
Although service and customer support are relatively undeveloped as marketing tools, more local distributors are attempting to provide quality service to their customers. Firms selling capital equipment or technology should emphasize customer service and product quality.

American companies seeking to operate in Macedonia may want to consider providing training to their distributors/agents to communicate the firm’s distinctive corporate policies, behavior, and standards.

Due Diligence
Few companies in Macedonia have Dunn & Bradstreet or other internationally recognized business ratings. The best source of in-depth analysis of a business partner in Macedonia is through one of the professional associations or companies listed in the next section. This should not be considered
an exhaustive list. U.S. companies selling to companies in Macedonia for the first time should consider using instruments such as irrevocable letters of credit until a solid relationship of mutual trust is established. The ongoing judicial reforms have helped improve the efficiency and speed of enforcement of court judgments on contracts, but further improvements are needed. Collecting delinquent payments from companies in Macedonia remains difficult due to the lack of collection services and a still inefficient and overloaded court system.

Local Professional Services
Law Association:
Lawyers Association of Republic of Macedonia
Bul. Krste Misirkov BB
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-313-1084
E-mail: mla@mla.org.mk
Web: http://mla.org.mk/?lang=mk

List of Attorneys:
The U.S. Embassy List of Attorneys
http://macedonia.usembassy.gov/attorney.html

Business Consulting:
ND- Balkan
Mr. Abdylmenaf Bexheti, General Manager
Vidoe Smileski Bato NN
P.O. Box 114
1200 Tetovo, Republic of Macedonia
Tel: 389-44-348-100
Fax: 389-44-333-424
E-mail: abdylmenaf.bexheti@nd-balkan.com
Web: http://www.nd-balkan.com

AAG – Analysis and Advisory Group
Mrs. Verica Hadzivasileva – Markovska, Managing Partner
Prashka 4
1000, Skopje, Republic of Macedonia
Tel: 389-2-324-6422
Fax: 389-2-324-6431
E-mail: aag@aag.com.mk

Accounting:
Grant Thornton
Ms. Ruzhica Filipcheva, Managing Partner
Mito Hadzivasilev – Jasmin 52 v-1/7
1000 Skopje, Republic of Macedonia
Deloitte
Ms. Lidija Nanush, Director
Mitropolit Teodosij Gologanov 28
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-1300
Fax: 389-2-311-9544
E-mail: lnanus@deloittece.com

Ernst & Young
Mr. Nikolay Garnev, Country Managing Partner
Bul. 8 Septemvri 18, Zgrada 3, Kat 4
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-3310
Fax: 389-2-311-3438
E-mail: jasna.dukovska@mk.ey.com

KPMG
Mr. Georgi Chuchuk, Managing Partner
Soravia Center Skopje, 7th floor
Filip Vtori Makedonski 3
1000 Skopje, Republic of Macedonia
Phone: 389-2-313-5220
Fax: 389-2-311-1811
E-mail: kpmg@kpmg.com.mk

PricewaterhouseCoopers
Mr. Ljube Georgievski, Managing Partner
Bul. 8 Septemvri 16
Hyperium Business Center, 2nd floor
1000 Skopje, Republic of Macedonia
Phone: 389-2-314-0900
Fax: 389-2-311-6525

Advertising:

Publicis Groupe
Mrs. Aleksandra Dilevska Simova, Executive Director
Franklin Ruzvelt 37
1000 Skopje, Republic of Macedonia
Tel: 389-2-329-7670
Fax: 389-2-3297671
E-mail: office@publicis.com.mk

McCann Skopje
Ms. Jelena Arsovska, Managing Director
Pirinska 23
1000, Skopje, Republic of Macedonia
Principal Business Associations

- American Chamber of Commerce in Macedonia
- Economic Chamber of Macedonia
- Economic Chamber of North-West Macedonia
- Macedonian Chambers of Commerce
- MASIT
- European Business Association
- Skopje Fair

Limitations on Selling US Products and Services
Foreign investors are allowed to invest directly in all sectors. Investors in some sectors (such as the production of weaponry and medicinal narcotics, banking, financial services, insurance, and gaming) must meet certain licensing requirements that apply equally to both domestic and foreign investors.

Selling U.S. Products and Services Web Resources
http://macedonia.usembassy.gov/
http://www.deloitte.com
http://www.ey.com
http://www.kpmg.com.mk
http://www.pwc.com.mk/en
http://www.publicis-mk.com
http://www.aag.com.mk
http://www.amcham.com.mk
http://www.sojuzkomori.org.mk
http://www.oemvp.org
http://www.mchamber.org.mk
Trade Regulations, Customs, & Standards

Import Tariff
Macedonia became the 146th member of the World Trade Organization (WTO) in April 2003 and is liberalizing its customs regime in accordance with WTO guidelines. As a WTO member, Macedonia has committed itself to the three basic rules of trade conduct: transparency in laws, equal rights and privileges for foreign and domestic firms and citizens, and most-favored nation treatment. Macedonia is harmonizing its customs’ laws with European Union (EU) laws and regulations.

Customs duties generally apply to most products imported into Macedonia. Preferential tariffs apply to countries with which Macedonia has signed a bilateral Free Trade Agreement, as well as to countries participating in multilateral trade agreements, such as the EU Stabilization and Association Agreement (SAA), European Free Trade Agreement (EFTA), Central European Free Trade Agreement (CEFTA). Customs tariffs in 2015, ranged from 0 – 35 percent, with an average tariff rate of 16 percent on agricultural products and 6.2 percent average rate on industrial products. The average nominal customs tariff rate for all products was 8.65 percent, while the weighted effective rate was 1.25 percent.

There are no tariffs applied on most raw materials. Excise duties apply to alcohol, cigarettes, mineral oils, tobacco, petroleum coke, and passenger vehicles. Excise duties are determined by the type and quantity of the product and are levied in addition to the customs tariff. The customs tariff on new and used automobiles is 5 percent. However, there is no tariff on automobiles produced in EU countries. Likewise, there are no duties for industrial products originating from EU, EFTA, CEFTA countries, Turkey and Ukraine. There are variable levies for agricultural and food products as well. Other products, like tobacco, wine, and various fruits, are subject to import tariff quotas. Import quotas are provided on a first-come-first-serve basis, and are distributed on the single window portal EXIM - www.exim.gov.mk.

In 2015, as part of the efforts to harmonize regulation guidelines and to boost Macedonia’s companies’ competitiveness, the Government of Macedonia reduced customs duty rates on certain reproduction materials, primarily on unprocessed metals. Custom duty rates in 20 tariff categories were reduced, including on beef leather, raw materials used in the production of electrical cable installations, and products in the automobile industry.

A Value Added Tax (VAT) of 18 percent is applied to most products and services. Food, potable bottled water, some printed materials such as newspapers, magazines, and educational books, raw materials and machinery for agriculture production, medicines, medical and orthopedic equipment, public transportation, computer hardware and software, solar energy systems, and refined and unrefined oils for industrial use for foodstuff for human consumption are taxed at the preferential rate of 5 percent. For imports into Macedonia, the VAT is assessed on the customs value of the goods plus the customs duty and excises.

Trade Barriers
A number of products are subject to quality control by market inspection officials at customs offices. These officials are employed by the Ministry of Economy to ensure that imported goods are in compliance with domestic standards. The products subject to quality control include most
agricultural products, cars, electrical appliances, and products in which poor quality may pose a health risk to consumers. When applicable, products also must pass sanitary, phytopathology, or veterinary control. (Additional information on sanitary requirements can be obtained from the Ministry of Health, and phytopathology and veterinary requirements can be obtained from the Ministry of Agriculture, Forestry, and Water Resource Management.)

Import regulations are numerous and are not always available in English. In order to learn about customs duties, taxes, and quality requirements for a specific product, U.S. exporters can consult the Customs Administration web page: [http://www.carina.mk/](http://www.carina.mk/) or contact freight forwarders or business consultants in Macedonia.

**Import Requirements & Documentation**

An importer/exporter in Macedonia is responsible for providing the required import/export documentation, which consists of common trade, transport and customs documentation, as well as certificates of origin and certificates of quality control and licenses. Service providers are not subject to customs regulations, but foreign trade transactions are subject to a documentation fee of one percent.

Based on the decision taken by the EU concerning the adoption of a decision by the EU-EFTA Joint Committee on common transit and a decision by the EU-EFTA Joint Committee on simplification of formalities in trade in goods as regards invitations to Macedonia to accede to those Conventions, as of July 1, 2015, Macedonia’s Customs Administration has become a part of this customs system. The text of the Council Decision can be found at: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015PC0152](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015PC0152). Also, following is a link to the Customs Administration announcement: [http://www.customs.gov.mk/en/ShowNews.aspx?ItemID=2584&mid=1099&tabld=1&tabindex=0](http://www.customs.gov.mk/en/ShowNews.aspx?ItemID=2584&mid=1099&tabld=1&tabindex=0)

**U.S. Export Controls**

Most technology can be exported from the United States to Macedonia under general export licensing guidelines, but some equipment requires validated export licenses from the Bureau of Export Administration (U.S. Department of Commerce and/or Department of State). Generally, defense products and equipment such as optical equipment and software that may have a dual use require an export license. Export licenses can be obtained from the Bureau of Industry and Security (BIS at the U.S. Department of Commerce / [http://www.bis.doc.gov/](http://www.bis.doc.gov/)). BIS coordinates the licensing process with the Departments of State and Defense.

The need for an export license depends on the product’s Export Control Classification Number (ECCN), available from the manufacturer, or from BIS’s Office of Exporter Services (202) 482-4811 in Washington, D.C.; or (949) 660-0144 in Newport Beach, CA; or (408) 998-8806 in San Jose, CA.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single searchable list as an aid to industry in conducting electronic screening of potential parties to regulated transactions is available here: [http://developer.trade.gov/consolidated-screening-list.html](http://developer.trade.gov/consolidated-screening-list.html).
Temporary Entry
Products may be imported into Macedonia on a temporary basis. The rules on temporary imports are contained in the Regulation for Application of the Law on Customs (Official Gazette No.39/2005).

Products allowed temporary import status include raw materials processed in Macedonia for re-export, infrastructure equipment produced by foreign contractors, and office equipment for foreign firms.

Macedonia is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods. Presentation of an ATA carnet, or TIR carnet, facilitates the process. An entry carnet may be obtained from a local chamber of commerce in the United States. Carnets are usually valid for 1 year and list the products to be imported on a duty-free basis. The carnet must be presented upon entry into Macedonia. Customs will stamp the carnet, thereby validating it. Upon departure, the carnet must again be presented for validation, confirming that the product is being transported out of Macedonia. Failure to re-export the goods results in application of the corresponding duties. For more information on ATA Carnets, contact the U.S. Council for International Business at 1-212-354-4480 or visit http://www.merchandisepassport.org.

Labeling/Marking Requirements
Labels must contain the following information: quality, ingredients, quantity, manner of storage, transport, use, maintenance, country of origin and a “best before” date. The above information must be written in Macedonian and Albanian.

Prohibited & Restricted Imports
Chemicals, weapons, ammunition, pesticides, agricultural products, and some other categories of products may require import licenses from the responsible ministry. See the Customs Administration website for details.

Customs Regulations
Customs regulations can be found at: www.carina.mk

Customs Administration of the Republic of Macedonia
Lazar Licenoski 13
1000 Skopje
Republic of Macedonia
Phone: +389 2 322 4342
Fax: +389 2 323 7832
E-mail: info@customs.gov.mk
Trade Standards

Overview
The process of developing, certifying, and enforcing standards is undergoing reform in Macedonia, and the Government’s standards bodies have adopted the Code of good practice for the preparation, adoption and application of standards.

Standards
In accordance with WTO/TBT Agreement (Agreement to Technical Barriers to Trade), standards are regulated and developed by the following institutions:

1. Regulatory functions:
   - Ministry of Economy, acting as a coordinator;
   - Other Ministries for specific topic areas.

2. Controlling functions:
   - Customs Administration;
   - State Market Inspectorate (Consumer Product Safety Authority).

3. Certification functions:
   - Standardization Institute of the Republic of Macedonia;
   - Bureau of Metrology;
   - Institute for Accreditation of the Republic of Macedonia;
   - Laboratories, certification and controlling offices.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment
Macedonia's main testing and conformity assessment bodies are:
Product Certification
Product certification requirements are specified by the laws. The Law on the Protection and Improvement of the Environment (http://faolex.fao.org/docs/pdf/mac105107.pdf) regulates safety standards for import/export purposes. The Law on General Safety of Products was adopted in 2006, those providing a legal framework for non-food product safety. This law implements the following European Directives:
- General Product Safety Directive (2001/95/EC);
- Law voltage Directive (73/23/EEC);
- Toy Directive 988/378/EEC);
- Electromagnetic Compatibility (EMC) Directive (89/336/EEC);
- Personal Protective Equipment Directive (89/686/EEC);
- Gas Appliances Directive (90/396/EEC);

Accreditation
The Parliament of the Republic of Macedonia adopted the Law on Accreditation in September 2009 (Official Gazette of the Republic of Macedonia; No. 120/2009; http://www.iarm.gov.mk/images/stories/dokumenti/Law.pdf), prepared on the basis of European law. Based on that legislation, the Government has established the Institute for Accreditation (IA) as an independent legal entity. The IA performs the accreditation of:

1. Laboratories for testing and calibration;
2. Organizations issuing product certifications;
3. Organizations issuing certificates for systems for quality;
4. Organizations issuing certificates for systems for protecting the environment;
5. Organizations issuing certificates for persons;
6. Organizations conducting supervision.

The IA participates at meetings with European and other international organizations for accreditation and also acts as an advisory body to the government on issues of accreditation.

The Institute for Accreditation can be contacted at the following address:

Institute for Accreditation of the Republic of Macedonia
Mr. Trpe Ristoski, Director
Publication of technical regulations
Each of the standardization and accreditation organizations issues bulletins on its procedures. Also, sector-regulating laws are published in the Official Gazette as adopted or amended.

Contact Information
U.S. Embassy – Skopje
Mr. Arben Gega, Commercial Specialist
Samoilova 21
1000 Skopje, Macedonia
Tel: 389-2-310-2403
Fax: 389-2-310-2499
E-mail: gegaa@state.gov

Trade Agreements
Macedonia became a member of the Central European Trade Agreement (CEFTA) in 2000 (http://www.cefta.int/). In December 2006 CEFTA expanded to include Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, and Serbia. Macedonia has additional Free Trade Agreements (FTAs) with Turkey and Ukraine. In February 2001, Macedonia signed a Stabilization and Association Agreement (SAA) with the European Union, and in December 2005 the European Union granted candidate status to the country. A critical component of the SAA is a preferential trade agreement that allows products from Macedonia to enter the European Union duty free. The agreement also provides for a gradual reduction of duty rates for European Union products entering Macedonia.

Licensing Requirements for Professional Services
Many occupations require a professional license (e.g., architects, engineers, doctors, dentists, pharmacists, lawyers, and auditors). To apply for Macedonian recognition of U.S. degrees and professional credentials, submit a copy of your U.S. diploma and license along with a translated copy prepared and notarized by an authorized court translator to the relevant Macedonian government institution, such as the Ministry of Education and Science, who then should prepare and issue a nostrification (recognition of a degree or credential obtained abroad).

Trade Regulation Web Resources
 Ministry of Economy - http://www.economy.gov.mk
 Ministry of Internal Affairs - http://www.mvr.gov.mk
Investment Climate Statement

Executive Summary
Macedonia’s government welcomes and seeks out foreign investors. Multiple ministers and agencies lead investment roadshows and promote Macedonia as an investment destination. Many new investments are auto parts companies attracted by Macedonia’s relatively cheap labor and proximity to European car manufacturers.

Macedonia’s legal framework for foreign investors is generally in line with international standards. However, companies complain of selective law enforcement, punitive inspections, and draconian fines. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied. The judicial system is slow and many investors and citizens of Macedonia believe it to be politicized. Corruption is widespread and largely goes unpunished.

Large foreign investors operating in the Technological Industrial Development Zones (TIDZ) generally report good access to government officials. However, bureaucracy and lack of communication and capacity within the government frustrate smaller investors.

Foreign investors also report that it can be challenging to secure visas and work permits for foreign managers, employees, and their family members.

Macedonia generally has been free from political violence for the past decade. However, interethnic and inter-religious tensions remain and are often aggravated by political rhetoric.

Foreign investment has continued despite a protracted political dispute between the ruling party and opposition since February 2015. Anti-western statements in government-aligned media increased during this period.

The 2016 World Bank’s Doing Business Report ranked Macedonia the 12th best place in the world for doing business, up 18 spots. Fitch reaffirmed Macedonia’s BB+ credit rating, and S&P reaffirmed its credit rating of the country at BB- with stable outlook. Transparency International ranked Macedonia 66th out of 175 countries in its perceptions of corruption index, down two spots from a year ago.

Table 1

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index or Rank</th>
<th>Website Address</th>
</tr>
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Openness to and Restrictions upon Foreign Investment

Attitude toward Foreign Direct Investment

As a small, open economy, Macedonia is heavily dependent on foreign direct investment (FDI) for job and export growth, and therefore continues to actively seek foreign investors who can provide jobs. The country has enacted legislation that not only provides roughly equal footing for foreign investors as compared to their domestic counterparts, but that also provides numerous incentives, such as tax breaks and subsidies, to attract foreign investment. Government incentive packages for foreign investors are not fully disclosed to Parliament or the public. Macedonia consistently provides national treatment to foreign investors, and many citizens believe that large foreign investors receive better treatment than domestic companies. The country has concluded a number of bilateral investment protection treaties, but none with the United States. Macedonia has adopted other multilateral conventions that impose stricter standards of protection for foreign investors.

Macedonia does not have any regulatory or defensive measures directed against foreign investment. Similarly, there are no private or government efforts directed toward the restriction of foreign investment and participation in or control of domestic enterprises, consortia, or industrial organizations. On the contrary, since 2007 Macedonia has run an expansive campaign to attract foreign investors. This campaign includes the promotion of Macedonia in many of the world’s leading newspapers, magazines, TV stations, and frequent government-led roadshows. In addition, after the 2014 early parliamentary elections, the number of ministers tasked exclusively with attracting foreign investments increased from three to five. The government agency Invest Macedonia also markets the country to foreign investors, serving as the main point of contact for operational matters and follow-up with investors. Invest Macedonia has about 25 resident economic promoters in foreign countries. Macedonia is in the process of harmonizing its legal and regulatory systems with international, primarily European Union (EU), standards.

<table>
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<tr>
<th>Metric</th>
<th>Year</th>
<th>Rank</th>
<th>Source</th>
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<tbody>
<tr>
<td>TI Corruption Perceptions index</td>
<td>2015</td>
<td>66 of 175</td>
<td>transparency.org/cpi2015/#results-table</td>
</tr>
<tr>
<td>Global Innovation Index</td>
<td>2015</td>
<td>56 of 141</td>
<td>globalinnovationindex.org/content.aspx?page=data-analysis</td>
</tr>
<tr>
<td>U.S. FDI in partner country ($M USD)</td>
<td>2015</td>
<td>6.1</td>
<td>nbrm.mk/?ItemID=44C9251D2237394A9EF8E2155AE6F121</td>
</tr>
<tr>
<td>World Bank GNI per capita</td>
<td>2014</td>
<td>USD 5,150</td>
<td>data.worldbank.org/indicator/NY.GNP.PCAP.CD</td>
</tr>
</tbody>
</table>
The global economic crisis and the euro zone debt crisis caused a significant slowdown in FDI, which fell from USD 463 million in 2011 to USD 132 million in 2012, mainly due to the outflow of profits of foreign-owned companies and intercompany loans. However, in 2013 FDI surged to USD 334.7 million as the global economy recovered and rose to USD 349.1 million in 2014. The increase in FDI was primarily due to some new foreign investments in the TIDZ and additional investments by existing foreign investors. However, in 2015 FDI slowed to USD 178 million, possibly due to internal political turmoil. The largest FDIs in recent years were in the automotive parts industry. Activities in the TIDZ accounted for most of the increase of the country’s foreign trade, both on the export and the import side. Although the global economic crisis undoubtedly played a role in limiting funds available for investment, corruption, rule of law concerns, and stalled Euro-Atlantic integration have also limited Macedonia’s ability to attract more investment. By most indicators, Macedonia ranks at the bottom in the Balkan region in receiving FDI. FDI accounted for only 1.8 percent of GDP in 2015, 1.3 percentage points less than in 2014.

Other Investment Policy Reviews

The World Trade Organization (WTO) in November 2013 did the first, and so far the only, review of the trade policies and practices of Macedonia. The reports of the WTO Secretariat and Macedonia’s government are available at the following website: https://www.wto.org/english/tratop_e/tpr_e/tp390_e.htm. There is no OECD investment policy review available on Macedonia. The most recent UNCTAD investment policy review on Macedonia, from March 2012, is available at the following website: http://unctad.org/en/PublicationsLibrary/diaepcb2011d3_en.pdf. In 2015, the government hired a consultant company to assess its strategy for attracting FDI in response to increased public criticism of concessions to foreign investors and doubts about the net benefits of these FDIs to the economy. It is unknown if or when that consultant’s study will be published.

Laws/Regulations on Foreign Direct Investment

The Constitution of the Republic of Macedonia guarantees equal position for all entities in the market and provides for free transfer and repatriation of investment capital and profits for foreign investors. Under Macedonian law, foreign and domestic investors have equal opportunity to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments. Rather, the legal framework is comprised of several laws including: the Trade Companies Law; the Securities Law; the Profit Tax Law; the Customs Law; the Value Added Tax (VAT) Law; the Law on Trade; the Law on Acquiring Shareholding Companies; the Foreign Exchange Operations Law; the Payment Operations Law; the Law on Foreign Loan Relations; the Law on Privatization of State-owned Capital; the Law on Investment Funds; the Banking Law; the Labor Law; and the Law on Financial Discipline. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied.

The Trade Companies Law

This is the primary law regulating business activity in Macedonia (http://www.mse.mk/Repository/UserFiles/File/Misev/Regulativa/Zakoni%20ENG/LL_CG_TradeCompanies_Dec_2004_E.pdf). It defines the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are
granted national treatment, and are entitled to establish and operate all types of private and joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

**Law on Privatization of State-owned Capital**

Foreign investors are guaranteed equal rights with domestic investors when bidding on shares of companies owned by the government. There are no legal impediments to foreign investors participating in the privatization process of domestic companies.

**Foreign Loan Relations Law**

This law regulates the credit relations of domestic entities with those abroad. Specifically, it regulates the terms by which foreign investors can convert their claims into deposits, shares, or equity investments with the debtor or bank. The Foreign Loan Relations Law also enables rescheduled debt to be converted into foreign investment in certain sectors or in secondary capital markets.

**Law on Investment Funds**

A revised Law on Investment Funds was adopted in 2009. The new law governs the conditions for incorporation of investment funds and investment fund management companies, the manner and supervisory control of their operations, and the process of selecting a depository bank. The law does not discriminate against foreign investors in establishing open-ended or closed investment funds.

**Law on Takeover of Shareholding Companies**

This law regulates the conditions and procedures for purchasing more than 25 percent of the voting shares of a company. The company must be listed on an official stock market, have at least 25 employees, and have initial capital of EUR 2 million. This law does not apply to shares in companies owned by the Republic of Macedonia.

**Law on Foreign Exchange Operations**

This law establishes the terms for further liberalization of capital transactions. It regulates current and capital transactions between residents and non-residents, transfers of funds across borders, as well as all foreign exchange operations. All current transactions (e.g., all transactions that are eventually registered in the current account of the balance of payments, such as trade and private transfers) of foreign entities are allowed. There are no specific restrictions for non-residents wishing to invest in Macedonia. Foreign investors may repatriate both profits and funds acquired by selling shares after paying regular taxes and social contributions. In case of expropriation, foreign investors have the right to choose their preferred form of reimbursement. Since 2008, foreign nationals have been permitted to own land in Macedonia, and may invest in or own fixed assets and real estate. Foreign investors may also establish companies of any kind.

**Profit Tax Law**
The corporate profit tax rate is 10 percent. At the beginning of 2006, the government amended the Profit Tax Law and introduced a withholding tax on income of foreign legal entities. The withholding tax is applied to income from dividends, interest, management consulting, financial, technical, administrative, research, and development services, leasing of assets, awards, insurance premiums, telecommunication services, author fees, and sports and entertainment activities. Income from all of these activities is subject to a 15 percent withholding tax rate, except for income from interest and rent proceeds from the leasing of real estate, which are taxed at a 10 percent rate. This withholding tax does not apply to legal entities from countries that have signed an agreement to avoid double taxation with Macedonia. The United States does not have such an agreement with Macedonia.

**Labor Law**

All employments are regulated by this law and collective agreements signed between unions and employers. The Labor Law ([http://www.lexadin.nl/wlg/legis/nofr/eur/arch/mac/laborlaw.pdf](http://www.lexadin.nl/wlg/legis/nofr/eur/arch/mac/laborlaw.pdf)) regulates the implementation of rights, obligations, and responsibilities of the employee and employer pertaining to employment. A General Collective Agreement clarifies and often enhances the basic rights and benefits provided for in the Labor Law. In addition, there are collective agreements applicable in some industries or sectors, which further specify relations between employers and employees in those industries.

**Law on Financial Discipline**

Effective from May 1, 2014, this law aims at regulating timely payment of liabilities between private sector legal entities, and liabilities stemming from business relations between private sector and public sector legal entities ([http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf](http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf)). According to the legislation, private entities must settle payment liabilities within 60 days, and by exception only within 120 days of the day when the liability occurred. Failure to comply with the provisions of the law envisages high fines both for legal entities and for the responsible person. Application of the law for public health institutions, public companies, state-owned companies, companies owned by local governments, and other public sector institutions started from January 1, 2016. Late payments by state entities to the private sector have contributed significantly to liquidity problems in the country.

**Business registration**

All legal entities in the country must register with the Central Registry of Macedonia (CRM). Foreign businesses may register a limited liability company, single-member limited liability company, joint venture, joint stock company, as well as branches and representative offices. Macedonia introduced a one-stop-shop system that enables investors to register their businesses within a day, by visiting one office, obtaining the information from a single place, and addressing one employee. In addition, all investors may register a company online using the secure system for electronic registration of all types of businesses in the Trade Registry and the Registry of Other Legal Entities, available at the following website: [http://e-submit.crm.com.mk/eFiling/en/home.aspx](http://e-submit.crm.com.mk/eFiling/en/home.aspx). Applications must be submitted by an authorized registration agent.
In addition to the registration of all business activities as stipulated by the Trade Companies Law, some business activities must obtain additional working licenses or permits before starting their operations. For those, the registration process is followed by a licensing process with the relevant authorities covering the matter of licenses and/or permits. More information on business registration documentation and procedures is available at the CRM’s website: http://www.crm.com.mk.

Invest Macedonia is the primary government institution in charge of facilitating foreign investments in the country, and its services are available to all interested investors. In addition, Invest Macedonia promotes Macedonian companies in foreign markets to help them increase their exports. More information on their services is available at http://www.investinmacedonia.com.

Since 2004, Macedonia has accepted the EU Commission’s definition of micro, small and medium-sized enterprises (SMEs), which is based on three criteria: number of employees, turnover volume, and total assets. Macedonia has kept the same classification by number of employees but adjusted the other two parameters. By number of employees, companies with fewer than 10 are considered micro, companies between 11 and 50 are considered small, and companies between 51 and 250 employees are considered medium-sized. The government does not directly provide any special services or preferences to facilitate investment and business operations by micro and SMEs. However, it provides subsidies to foreign credit lines through the state-owned Macedonian Bank for Development Promotion to assist in the development of micro and SMEs.

Industrial Strategy

Invest Macedonia’s 25 economic promoters residing in key markets in the world disseminate information about investment opportunities in the country directly to targeted investors. Public information about investment opportunities in the country are disseminated via paid commercials in leading business newspapers, magazines, and TV channels. Government ministers in charge of attracting investors also disseminate information during road-shows to targeted markets. Invest Macedonia lists at its website (http://www.investinmacedonia.com) key sectors for investment opportunities: automotive components, information and communication technology, agribusiness, food processing, textiles, apparel, electronics, and pharmaceuticals.

Privatization Program

The privatization process is governed by the Law on Transformation of Enterprises with Social Capital (Official Gazette 38/93) and the Law on Privatization of State-owned Capital (Official Gazette 37/96). To finalize the privatization of remaining loss-making and bankrupt state companies, the government offered large discounts on the nominal value of the shares and did not impose employment and investment requirements. The telecom company Makedonski Telekom is the largest state-owned entity privatized to date.

Macedonia’s privatization process is almost complete and private capital is dominant in the market. The government is trying to sell four remaining loss-making companies through international tenders. Foreign investors are allowed to participate in privatization through a public bidding process. There are about 15 state-owned companies, primarily public utilities. There are also public...
utility companies at the local level, which are governed by local governments. Neither the central government nor any local government has announced plans to sell shares in any of them.

**Screening of FDI**

The government institution in charge of attracting new foreign investments in country - Invest Macedonia - does the screening and due diligence review of foreign direct investments in a non-public procedure. Final approval of investment incentive packages is usually made by the government. So far U.S. businesses have not commented or complained that the screening mechanism was a barrier to investment. The main purpose of the screening mechanism is to ensure economic benefit for the country and national security. This screening process does not appear to disadvantage foreign investors. Details of the review are not shared publicly. More details regarding the review process including information on necessary documents for the screening process are available directly from Invest Macedonia or at website [http://www.investinmacedonia.com](http://www.investinmacedonia.com).

**Competition Law**

The Commission for Protection of Competition ([http://www.kzk.gov.mk/eng/aboutus_C.asp](http://www.kzk.gov.mk/eng/aboutus_C.asp)) is responsible for enforcing the Law on Protection of Competition, adopted in January 2005 (Official Gazette of the Republic of Macedonia No. 04/05). The basic competencies of the Commission for Protection of Competition include controlling proper implementation of the provisions stipulated in the Law on Protection of Competition, monitoring and analyzing the market conditions to the extent necessary for the development of free and efficient competition, initiating procedures in cases of law violations, and making decisions according to the provisions of the Law. The Commission is established as an independent body with the status of a legal entity, independent in its operations and decision making process within the authorities provided by the Law. The Commission consists of a President and four members appointed by the Parliament for a five-year mandate, with the right to reappointment. The Commission has not been very active, as there have not been major accusations of competition violations in the domestic market. Most recently, the Commission was involved in assessing the market concentration in the case of the intended merger between two big mobile operators in the domestic market, the Austrian-owned VIP with the Slovenian-owned One.

**Conversion and Transfer Policies**

**Foreign Exchange**

Macedonia's national currency, the Denar (MKD), is convertible domestically, but is not convertible on foreign exchange markets. Conversion of most foreign currencies is possible on the official foreign exchange market. In addition to banks and savings houses, numerous authorized exchange offices also provide exchange services. The National Bank of the Republic of Macedonia operates the foreign exchange market, but participates on an equal basis with other entities. Required foreign currency reserves are spelled out in the banking law. There are no restrictions on the purchase of foreign currency by residents.

Parallel foreign exchange markets do not exist in Macedonia, largely due to the long-term stability of the Denar. The National Bank of the Republic of Macedonia has successfully pegged the Denar to the Euro and has kept inflation low. The country does not engage in currency manipulation.

**Remittance Policies**
The Constitution of Macedonia guarantees the free transfer and repatriation of investment capital and profits. By law, foreign investors are entitled to transfer profits and income without being subject to a transfer tax. Investment returns are generally remitted within three working days.

There are no legal limitations on private financial transfers from and to Macedonia. In fact, remittances are widely used by Macedonia’s diaspora, and they represent a significant source of income for households. To a much lesser extent, remittances go out of Macedonia. In 2015 net private transfers amounted to USD 1.7 billion, accounting for 16.8 percent of GDP.

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent evaluation can be found at http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp.

Expropriation and Compensation
The Republic of Macedonia has not adopted any new legislation on expropriation. There is no tendency by the government authorities to discriminate against U.S. investors. According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 95/12, 131/12, 24/13, and 27/14), foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Public interest, as defined by this law, includes the spatial arrangement, rational usage, and humanization of public areas, protection of the environment and nature by building objects and doing works of significance to the state and local governments, stipulated by the spatial planning acts. The law also lists in detail specific activities considered to be of public interest.

Under the Law on Expropriation, the state is obliged to pay market value for any property expropriated. If the payment is not made within 15 days of the expropriation, interest will be paid.

In 2002, under the Law on Denationalization, (http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015919.pdf), the government pursued an ambitious plan to return or provide compensation for nationalized property. In 2007, the government revived the project by extending the deadline for receiving denationalization claims to the end of 2007. Claimants filed a total of 30,744 claims, of which less than 1,000 remain unresolved. Most of the unresolved cases have been transferred to the courts for adjudication. Compensation has included the return of property, compensation with equivalent property, or compensation with government bonds.

Dispute Settlement
Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The government is working to harmonize domestic regulations with European Union norms by reforming Macedonia’s legal system. However, the administration of justice is not always uniform, and the courts are often slow and inefficient and lack adequate resources. They are also subject to political pressure and corruption.
Judges face improper pressure on a regular basis, while the system of appointments for the country’s Judicial Council appears to make decisions for political reasons. This trend has become increasingly visible since 2010.

Following the disclosure of wiretaps in 2015 that appeared to implicate high-level officials in wrongdoing, the four largest political parties agreed to establish a Special Prosecutor’s Office to investigate possible violations in connection with those recordings.

In July 2015, Macedonia’s Parliament, without allowing public comment, introduced obligatory mediation in disputes between companies up to Euro 15,000 (approx. USD 16,700) in value as a precondition for going to court. Companies complain the measure, which went into effect February 1, 2016, imposes additional costs.

Bankruptcy

Macedonia's 2006 Bankruptcy Law governs the settlement of creditors' claims against insolvent debtors. Amendments in 2011 further streamlined the process. Bankruptcy proceedings may be initiated over the property of a debtor, be it a legal entity, an individual, a deceased person, joint property of spouses or business unions. Bankruptcy proceedings may not be implemented over a public legal entity or property owned by the Republic of Macedonia.

In the World Bank’s Doing Business Report for 2015 Macedonia ranks 37th out of 189 countries on the Resolving Solvency indicator.

Investment Disputes

With the 1995 enactment of the Law on Courts, the judicial body evolved into a three-tiered court system: the Basic Courts (or Courts of the First Instance), the Appellate Courts, and the Supreme Courts. As of 2007, an Administrative Court was established to try administrative law cases, and in 2011 a Higher Administrative Court was also established to try appeals against administrative court rulings. These courts handle legal processes in providing resolution to business disputes and help improve the business environment.

International Arbitration

International arbitration is recognized and accepted under the Law on International Commercial Arbitration. The government accepts international arbitration on investment disputes and has registered over 40 internationally accredited arbiters. The Permanent Court of Arbitration was established in 1993 within the Economic Chamber of Macedonia (a non-government business association). It has the authority to administer both domestic and international disputes. However, it has never been utilized.

*ICSID Convention and New York Convention*
Macedonia has either signed on to, or has inherited by means of succession from the former Yugoslavia, a number of bilateral and multilateral conventions on arbitration including the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA); the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention); the Geneva Protocol on Arbitration Clauses from 1923; and the Geneva Convention on Enforcement of Foreign Arbitration Decisions. Macedonia is also a member state to the International Centre for Settlement of Investment Disputes (ICSID Convention), and the European Convention on International Commercial Arbitration.

**Duration of Dispute Resolution – Local Courts**

Administrative Court proceedings often fail to respect judicial precedent, requiring businesses to appeal, thus delaying justice considerably. A Constitutional Court adjudicates constitutional issues. In an effort to provide better resolution of business disputes and to improve the business environment, the Law on Mediation was adopted in 2006, and amended several times since in an effort to foster out-of-court case resolution. This legislation provides for the training, testing, and certification of experts in different fields to act as mediators administered by the Ministry of Justice. An attempt to introduce mediation in pilot courts through U.S.-funded technical assistance produced only modest results, largely due to the lack of public awareness and the reluctance of legal practitioners to utilize this option.

**Performance Requirements and Investment Incentives**

**WTO/TRIMS**

In a bid to attract foreign investment, particularly to the country’s designated TIDZ, the government has enacted a number of incentives for foreign investors and continues to conduct road shows and advertising campaigns.

Foreign investors are not required to purchase from local sources or to export all of their production. There are also no requirements for the government to be a partner in an enterprise. Commercial agreements determine which entity retains control over investment revenue. There are no requirements for reducing foreign equity over time or for technology transfer.

Macedonia has been a member of the WTO since April 4, 2003, and it adheres to the Trade-Related Investment Measures (TRIMs) Agreement.

**Investment Incentives**

Both the Law on Customs and the Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for profit tax exemptions for profits generated during the first three years of operation in proportion to the amount of foreign investment; all profits reinvested in the company; profits invested in environmental protection; and profits invested in “underdeveloped” regions of the country. Companies with at least 20 percent foreign capital are exempt from customs duties for the first three years after their registration. In public campaigns, the government highlights the following additional benefits: a 10 percent flat tax for corporate profits and personal income; guaranteed relief from local taxes and fees; a tax exemption for duties on imported goods, raw
materials, and equipment/machines. A symbolic land lease rate and direct state aid in the amount of up to Euro 500,000 (approx. USD 556,000) are additional incentives provided to foreign investors.

**Research and Development**

The government in Macedonia does not restrict or ban foreign companies from participating in government financed research and development programs. Research and development public expenditures in Macedonia are aimed toward supporting creative work undertaken to increase knowledge in humanity, culture and society, and stimulate use of knowledge for developing new applications.

**Performance Requirements**

The Law on Residency of Foreign Citizens sets requirements for both working and resident visas. There are some non-discriminatory limitations on obtaining a visa. A foreign citizen working in Macedonia can be issued a multiple entry visa. An employer should apply to the Employment Bureau to obtain a work permit for any foreign employees working in Macedonia on a temporary or permanent basis. Many international businesses report, however, that the process of obtaining visas and work permits can be frustratingly slow. In December 2012, Macedonia's government adopted a decision to offer citizenship to anyone who invests USD 500,000 or more and employs at least 10 people.

There is no discriminatory export or import policy affecting foreign investors. Almost 96 percent of total foreign trade (export/import) is unrestricted. Current tariffs and other customs-related information are published on the Customs website, [http://www.customs.gov.mk/en/](http://www.customs.gov.mk/en/)..

**Data Storage**

The government does not impose a forced localization policy for data; foreign investors are not required to use domestic content in goods or technology. Post is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to surveillance (e.g., backdoors into hardware and software or turn over keys for encryption).

**Right to Private Ownership and Establishment**

Foreign investors are allowed to invest directly in all industry and business sectors except those limited by law. Investment in the production of weaponry and narcotics is subject to government approval. Investors in some sectors such as banking, financial services, and insurance must meet certain licensing requirements that apply equally to both domestic and foreign investors.

Foreign investment may be in the form of money, equipment, or raw materials. According to the law, foreign investors have the right to receive the full value of their investment in the case of nationalization, a provision that does not apply to national investors.

**Protection of Property Rights**

**Real Property**
While the legal basis for the protection of ownership of both movable and real property exists, implementation remains incomplete. Highly centralized control of government owned "construction land," the lack of coordinated local and regional zoning plans, and the lack of an efficient construction permitting system continued to impede business and investments. Additionally, investors’ potential utilization of land is inhibited by the large number of lingering property ownership disputes. Over the past few years, however, there have been significant improvements to the cadaster system which have helped to increase the security and speed of real-estate transactions.

The World Bank’s Doing Business Report, ranks Macedonia 50 out of 189 for ease of registering property.

**Intellectual Property Rights**

The government continues to sporadically seize and destroy counterfeit items and has taken some legal action against those who produce and sell counterfeit goods. Nevertheless, overall enforcement remains weak and counterfeit goods remain common in shops and markets throughout Macedonia. As an EU candidate country, Macedonia is obliged to harmonize its IPR laws and regulations with EU standards and to demonstrate adequate enforcement of those laws. The government’s Secretariat for European Affairs is responsible for coordinating this effort.

Intellectual Property Rights are protected under the Law on Industrial Property from 2009 (amended in 2013), the Law for Authors’ and Common Rights (adopted in 2010), and the Law on Customs Measures for the Protection of IPR (enacted in 2006 and amended in 2011). The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models, and samples. The protection of authors’ rights and other related rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods; however, it lacks resources, and roughly 70 percent of its inspections are to enforce non-smoking legislation and closing times. The Ministry of Interior is responsible for IPR-related crimes committed on the Internet. Although the attention and resources relevant authorities apply to IPR enforcement is rather limited, companies which proactively seek protection of their brands in Macedonia are generally satisfied with institutional responsiveness.

Under the Law on Customs Measures for the Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods. It has the right to seize suspect goods to prevent their distribution pending confirmation from the rights holder of the authenticity of the goods. The rights holders are responsible for covering costs for storage and destruction of the seized counterfeited goods, except for a yearly activity of the Coordinative Body for Intellectual Property for World IPR Day. There are no cumulative statistics on seizures of counterfeit goods.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 – 60 days closure of businesses, monetary fines of up to EUR 5,000, or a prison sentence of up to five years. IPR cases are not handled by specialized courts, and little is known about the number and outcomes of court cases that have IPR aspects.

Macedonia joined the World Intellectual Property Organization (WIPO) in 1993 and in 1994 became a member of the Permanent Committee of Industrial Property Protection Information of WIPO. As a
successor to the former Socialist Federal Republic of Yugoslavia, Macedonia is a party to international conventions and agreements that the former Yugoslavia signed prior to Macedonia's independence.

Macedonia is not listed in the Special 301 report.

There have been allegations of the use of unlicensed or under-licensed software in government agencies in Macedonia. Substantial efforts to ensure government agencies only purchase and use licensed software have not led to any meaningful progress on the matter. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

- Mrs. Veronica Scarborough
  - Deputy Political and Economic Chief
  - U.S. Embassy - Skopje
  - 1000 Skopje, Macedonia
  - Office: +389 2 310 2362
  - Fax: +389 2 310 2499
  - Mob: +389 72 321 138
  - E-mail: scarboroughvj@state.gov

- American Chamber of Commerce in Macedonia
  - Mrs. Michelle Osmanli, Executive Director
  - Ivo Lola Ribar 59A-1/15
  - 1000 Skopje, Macedonia
  - Tel: +389 2 321 6714

- Embassy of the United States
  - List of Attorneys:
    http://macedonia.usembassy.gov/attorney.html

Transparency of the Regulatory System

There are no laws, policies, or legal regulations that formally impede foreign investment in Macedonia. Unfortunately, excessive bureaucratic 'red tape' still poses difficulties in all spheres of government administration and provides opportunities for corruption and delays. Reports of inefficient, politicized, and corrupt practices are common, and the government does not have a track record of investigating and punishing corrupt government officials. Members of the business community frequently complain of opaque processes and unclear division of responsibilities within and between bureaucracies. In its determination to become an EU member, Macedonia has harmonized most of its legislation with the EU. Implementation remains weak, however, and there are examples of laws contradicting one another.
Since 2006, the government has produced extensive legislative reform through a "regulatory guillotine" process, which, according to government, eliminated over 50 percent of all administrative procedures. However, businesses still complain of lengthy and overly complicated procedures.

In 2006, the government introduced ENER (unique national electronic register of regulations) to facilitate public comment on proposed legislation. However, most draft laws are not posted in ENER for public comment, but instead are passed in Parliament in an expedited procedure without a comment period. Even when it is respected, the minimum period of 10 calendar days for public comment is simply too short to allow for thoughtful and constructive responses from company representatives. Businesses also report that the feedback they submitted to ENER was not posted online and that ministries did not respond to their comments. In addition to a rapidly changing legislative and regulatory environment where companies are rarely involved in the policy-making process, companies working in Macedonia face a great degree of regulatory confusion caused by: the lack of Regulatory Impact Assessments (RIA) that consider impacts on the private sector as well as sufficient time for companies to adjust to new legislation; the lack of official, consolidated texts of all laws in force; passage of laws that conflict with measures in existing legislation; and the lack of official information published by enforcement institutions on how laws are to be applied in specific cases. In 2014 the government created the Inspections Council, an independent body responsible directly to the government, which encompasses 14 different inspectorates. The Inspections Council's goal is to harmonize procedures for inspection surveillance between inspectorates which originally functioned under various ministries and to regulate and control functioning of the inspectorates as whole and individual inspectors. However, two years after it was founded, it has yet to achieve its goal of relaxing the burden of multiple inspections within a short period of time at the same company. There are still allegations that the government uses inspections punitively against political opponents and critics.

In the World Bank's, 2015 Doing Business report, Macedonia ranked 12 out of 189, easiest countries in which to do business, a notch up from last year's 30th place. Although the same report has complimented Macedonia's efforts to reform business legislation, new reforms often are not fully implemented due to a lack of administrative capacity and political will. Additionally, the reforms are often not comprehensive, and their effect has been underwhelming for the business and investment environment as a whole.

Efficient Capital Markets and Portfolio Investment
Macedonia's securities markets are modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. After reaching its peak in August 2007, the MSE index steadily dropped until 2013, reflecting the effects of the global economic crisis. After a slight pickup in 2014, market capitalization in 2015 dropped by 2.4 percent to USD 1.8 billion. The main index, MBI10, dropped by 0.6 percent over the year, closing at 1,833 points at the end of 2015. Foreign portfolio investors accounted for an averaged 18.8 percent of total MSE turnover, 6.9 percentage points less than in 2014.

Macedonia's Securities and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. MSE has two market segments: the Official Market and the Regular Market. Companies listed on the Official Market must publicly disclose any price sensitive information related to their operation on a regular basis. The Regular Market has two sub-
segments: a market for publicly held companies that includes companies that have special reporting requirements for the SEC and a “free market” that includes all other companies that provide a minimal disclosure of records. In 2015, the total number of listed companies remained unchanged from the previous year at 115, while total turnover dropped by a significant 69.4 percent. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there are greater transparency requirements.

Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007. Government paper is present on the stock exchange in the form of denationalization bonds and a few special purpose bonds. In January 2004, the government started issuing treasury bills. In 2009, it started issuing T-bills with a foreign exchange clause. These are very attractive to domestic banks. A fully convertible current account places no restrictions on portfolio investments, but short-term capital inflows are still relatively low even by regional standards. Full liberalization of the capital account has yet to be implemented.

Last year, the MSE together with the stock exchanges of Croatia and Bulgaria established a regional platform, called SEE Link, for trading securities of companies listed at all three stock exchanges. In February 2016, the stock exchanges of Slovenia and Serbia joined that platform, increasing the number of listed companies to 387. The SEE Link platform is expected to become operational in spring of 2016.

Money and Banking System, Hostile Takeovers

There are no legal barriers to the free flow of financial resources and portfolio investments. Financial resources are almost entirely managed through Macedonia’s banking system, consisting of 15 banks. It is a highly concentrated system, with the three largest banks controlling over 60 percent of banking sector total assets, while there are ten banks with individual shares in total assets of less than five percent. In 2015, foreign capital was present in 14 of Macedonia’s 15 banks, and was dominant in 11 banks. According to the National Bank of the Republic of Macedonia (NBRM), foreign investors' share in total banking assets at the end of 2015 was 69.1 percent, which is unchanged compared to 2014. The overall NPL ratio was 10.8 percent in 2015, which is a 0.5 percentage points lower than in 2014. Profits in 2015 reached USD 83.6 million, which was 47.3 percent higher than a year ago. Also, the two most important profitability indicators, ROA (Return on Assets) and ROE (Return on Equity) reached 1.1 percent and 10.4 percent, respectively, which is an increase of 0.3 and 3 percentage points, respectively. Supervisory monitoring by the NBRM has continuously strengthened, enhancing depositors' confidence. Banks’ liquid assets at the end of 2015 were 31.4 percent of total assets, dropping by 1.9 percentage points compared to 2014. The stress tests conducted by the NBRM in 2015 showed that the banking sector is resilient to significant deposit withdrawals, liquidity shocks, increased credit risk, sharp deterioration in the quality of loans, or other hypothetical shocks. The capital adequacy ratio of the entire banking sector remained strong at 15.5 percent, well above the recommended 12 percent minimum. The intermediation rate (measured as total assets/GDP) in 2015 was 72.6 percent and is considered very low even by regional standards. Credit is available on the local market and is allocated at market terms. The growth of credit to the private sector in 2015 was 9.7 percent, mainly due to higher credit growth to households (12.9 percent) than to enterprises (7.1 percent). The NBRM encouraged credit growth by adopting several measures, but kept the reference rate (the interest rate on Central
Bank bills) at 3.25 percent throughout 2015. Despite this, banks were still rather cautious in extending larger loans. In May 2016 NBRM revised its reference interest rate up by 0.75 percentage points to 4 percent. The weighted average lending rate of the banking system in 2015 was 6.8 percent, while the deposit rate was 2.2 percent. Domestic companies secure financing primarily from their own cash flow and from bank loans, due to the lack of corporate bonds and other securities as credit instruments. Because of the scarcity of other private financing, credit demand is high, affecting interest rates. The leasing market is still underdeveloped but is starting to become more competitive.

Savings houses’ share in the total assets of the banking system was a mere 0.6 percent in 2015. A 2013 law enabled savings houses to transform themselves into financial companies, defined as non-deposit taking institutions under supervision of the Ministry of Finance. Reporting requirements for financial companies are less burdensome than those for savings houses. Four of the existing seven savings houses transformed themselves into financial companies. The remaining three still operate under the provisions of the Banking Law, as there is no separate law that governs these institutions.

Takeovers of shareholding companies are regulated in the Law on Takeover of Shareholding companies, adopted in 2013 (http://www.finance.gov.mk/files/u11/zakon_prezemanje_ad_januari_2014.pdf), replacing a 2007 law. This law describes takeover procedures, including penalties for irregular takeovers. There has never been a hostile takeover of a shareholding company or bank in Macedonia.

**Competition from State-Owned Enterprises**

There are State Owned Enterprises (SOEs) operating in several sectors including energy, banking, water supply, communal utilities, and public transportation. There are also industries such as arms production and narcotics in which private enterprises may not operate without government approval. There are about 15 enterprises, mostly public utilities, with the central government in dominant ownership, while local governments (81 in total) also own local public utility enterprises. There is no published list or one register of all SOEs in the country. All SOEs are subject to the same tax burden and tax rebate policies as private sector competitors. SOEs are allowed to purchase or supply goods or services from private sector/foreign firms and are not afforded material advantages such as preferential access to land and raw materials.

Macedonia has an observer status in the Government Procurement Agreement (GPA) within the framework of the World Trade Organization since 2013. Macedonia is willing to become a full-fledged party to the GPA.

**OECD Guidelines on Corporate Governance of SOEs**

SOEs in Macedonia do not adhere to the Organization for Economic Cooperation and Development (OECD) Guidelines on Corporate Governance for SOEs. Macedonia’s constitution establishes the same terms of competition for both private and public enterprises with respect to access to markets, credit, and other business operations. Although the law does not give SOEs favorable positions or material advantages, Macedonia's judicial system is subject to political pressure. SOE general managers are usually appointed by the government. Members of SOE boards of directors are usually comprised of both internal and external members and they usually are political appointees.
appointed by the government. SOE general managers routinely report to a government minister. Third party market analysts take into consideration the SOEs' close ties to the government.

**Sovereign Wealth Funds**

Macedonia does not have a sovereign wealth fund.

**Corporate Social Responsibility**

Although activities to promote corporate social responsibility have created some degree of awareness and capacity, corporate social responsibility (CSR) remains an unclear and nascent concept. It is often perceived as a concept pertaining only to large and very profitable companies. Donations and community engagement programs are the most common CSR programs.

The American Chamber of Commerce in Macedonia has organized business forums with an aim to help integrate corporate social responsibility into business practices and to make businesses more responsible to all stakeholders in the community.

Macedonia’s National Coordinating Body on Corporate Social Responsibility ([http://www.cbcsr.mk](http://www.cbcsr.mk)) organizes the annual national CSR awards.

**Political Violence**

Aside from isolated incidents, politically-charged events have not regularly sparked violence. However, political and ethnic tensions remain and are often aggravated by political rhetoric, especially during elections. Macedonia’s authorities have worked to improve their ability to provide security, in an effort to remain on track for EU and NATO integration. The international community continues to encourage Macedonia to enact reforms and adopt EU best practices in rule of law and media freedom. A contributor to peacekeeping efforts in Afghanistan and elsewhere, Macedonia is dedicated to remaining a provider of international security and stability.

**Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies’ acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public
official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

http://www.justice.gov/criminal/fraud/fcpa/guidance/. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at:


**Other Instruments:** It is U.S. Government policy to promote good governance, including host countries’ implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions negotiated under the auspices of the OECD (Anti-Bribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

**OECD Anti-Bribery Convention:** The Anti-Bribery Convention entered into force in February 1999. As of January 2016, there are 41 parties to the Convention, including the United States (see http://www.oecd.org/corruption/oecdantibriberyconvention.htm). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Anti-Bribery Convention. The Anti-Bribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA.

**UN Convention:** The UN Convention entered into force on December 14, 2005, and there are 178 parties to it as of January 2016 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-Bribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.
**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2016, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see http://www.oas.org/juridico/english/mesicic_intro_en.htm).

**Council of Europe Criminal Law and Civil Law Conventions on Corruption:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp. As of January 2016, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173; http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174).

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance
with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center “Report a Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication A Resource Guide to the U.S. Foreign Corrupt Practices Act, at http://www.justice.gov/criminal/fraud/fcpa/guidance/. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at http://www.commerce.gov/os/ogc/transparency-anti-bribery-initiatives. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Macedonia:

Although Macedonia’s legal framework is sound, enforcement is weak and the public is skeptical of the government’s willingness to prosecute corrupt officials. The public generally views the police, courts, higher education, and healthcare sectors as the most corrupt public sectors. Instances of selective prosecution have compounded public mistrust of government institutions. Investors and businesspeople have reported being solicited for bribes, particularly when participating in public procurements and government projects. The State Commission for Prevention of Corruption (SCPC) established in 2002, is responsible for implementation, regulating measures for corruption prevention, and conflicts of interest and public interest activities by certain state authorities (http://www.dksk.org.mk/en/). However, the Commission is passive, is not respected, and very few cases that are brought before the Commission proceed to the Public Prosecutor’s Office for further investigation. In 2014, SCPC received 158 cases of alleged corruption, out of which it forwarded just seven to the Public Prosecutor’s Office, but there were no indictments or convictions. Transparency International ranked Macedonia 66th out of 175 countries on the 2015 Corruption Perception Index. The government has reduced some opportunities for corruption by adopting "E-government" systems for managing international cargo transport licenses, issuing export/import licenses, and managing public procurement. The Customs Agency has improved services through internal reforms and the adoption of electronic customs clearance solutions. The simplified and automated processes enable businesses to monitor the status of their applications in these areas. Such systems are an improvement when used and correctly implemented.
The Law on Criminal Procedure criminalizes bribery and abuse of official position. Other anti-corruption laws include the Law on Money Laundering Prevention and the Law on Corruption Prevention, which provide for penalties including prison and confiscation of illegally-obtained property.

**UN Anticorruption Convention, OECD Convention on Combatting Bribery**

Macedonia ratified the United Nations Convention against Corruption in early 2007, and has ratified the UN Convention against Transnational Organized Crime.

Macedonia has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery.

**Resources to Report Corruption**

- State Commission for Prevention of Corruption
- Ms. Antonija Andonova, Public Relations
- Dame Gruev 1
- 1000 Skopje, Macedonia
- Tel: +389 2 321 5377
- E-mail: dksk@dksk.org.mk

- Public Prosecution Office for Fighting Organized Crime and Corruption
- Mr. Jovan Ilievski, Chief
- Boulevard Krste Misirkov BB, Sudska Palata
- 1000 Skopje, Macedonia
- Tel: +389 2 321 9884
- E-mail: jilievski@zjorm.org.mk

- Transparency International – Macedonia
- Ms. Slagjana Taseva, President
- Naum Naumovski Borce 58
- P.O. Box 270
- 1000 Skopje, Macedonia
- Tel: +389 2 321 7000
- E-mail: info@transparency.mk

**Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: https://www.sec.gov/spotlight/fcpa.shtml. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives

The Trade Compliance Center hosts a website with anti-bribery resources, at http://tcc.export.gov/Bribery. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions.

Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt/.


GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp

MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm

The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at http://businessethics.apec.org/, and the APEC Anti-Corruption and Transparency Working Group, at http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx. For more information on APEC generally, http://www.apec.org/.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/research/cpi/overview. TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the
world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.


- The World Economic Forum publishes every two years the Global Enabling Trade Report, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which typically assesses anti-corruption and good governance mechanisms in diverse countries. For more information on the report, see https://www.globalintegrity.org/global-report/what-is-gi-report/.

**Bilateral Investment Agreements**

Macedonia has concluded an Agreement for Promotion and Protection of Foreign Direct Investments with the following countries: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Belarus, Belgium, Luxembourg, Germany, Egypt, Iran, Italy, India, Spain, Serbia, Montenegro, China, North Korea, Malaysia, Poland, Romania, Russia, Slovenia, Turkey, Ukraine, Hungary, Finland, France, the Netherlands, Croatia, the Czech Republic, Switzerland, Sweden, Taiwan, and Slovakia.

Macedonia is a signatory of three multilateral Free Trade Agreements:

- The Stabilization and Association Agreement (SAA) with the EU member-states, giving Macedonia duty-free access to 650 million consumers;
- The European Free Trade Agreement (EFTA) with Switzerland, Norway, Iceland, and Liechtenstein; and
- The Central European Free Trade Agreement (CEFTA) with Albania, Moldova, Croatia, Serbia, Montenegro, Bosnia and Herzegovina, and Kosovo.

Bilateral Free Trade Agreements are in force with Turkey and Ukraine.

**Bilateral Taxation Treaties**

Macedonia does not have a bilateral investment or double taxation treaty with the United States.
OPIC and Other Investment Insurance Programs

Financing and insurance for exports, investment, and development projects are made possible through agencies such as the U.S. Trade and Development Agency (TDA); the U.S. Export-Import Bank (EX-IM); the Overseas Private Investment Corporation (OPIC); the European Bank for Reconstruction and Development (EBRD); the International Bank for Reconstruction and Development (World Bank); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the Southeast Europe Equity Fund (SEEF). Most of the funding for major projects is achieved through co-financing agreements, especially in the transportation, telecommunications, and energy infrastructure development fields.

OPIC and MIGA are the country’s chief investment insurance providers. OPIC insurance and project financing have been available to investors in Macedonia since 1996. OPIC’s three main activities are risk insurance, project finance, and investment funding. MIGA provides investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors who make qualified investments in developing member countries. MIGA also offers coverage against the risks of currency transfer restrictions, expropriation, breach of contract, and war or civil disturbance.

Although its primary focus is export assistance - including direct loans and capital guarantees aimed at the export of non-military items - EX-IM also provides insurance policies to protect against both political and commercial risks. TDA, SEEF, the World Bank, and the EBRD focus more directly on financing agreements.

Labor

Relations between employees and employers are generally regulated by individual employment contracts pursuant to Section II, Articles 13-21 of the Labor Relations Law. The Labor Relations Law is a general act that regulates all forms of employment, relations between employees and employers, retirement, lay-offs, and union operations. Severance and unemployment insurance are covered by the Law on Employment and Insurance in cases of unemployment. Most labor related laws are in line with international labor standards, and within recommendations of the International Labor Organization (ILO). Labor laws apply to both domestic and foreign investments, and employees in both segments are equally protected.

Employment of foreign citizens is regulated by the Law on Foreigners. The employment contract, which must be in writing and kept on the premises, should address the following provisions: description of the employee’s duties, duration of contract (finite or indefinite), effective and termination dates, location of workplace, hours of work, rest and vacation periods, qualifications and training, and salary and pay schedule.

The law is relatively flexible with regard to working hours. Normal working hours for an employee are eight hours per day, five days per week. According to regulations, an employee is entitled to a minimum of 20 working days and a maximum of 26 working days of paid annual leave during the course of a calendar year. Work permits are required for foreign nationals. There is, however, no limitation on the number of employed foreign nationals or the duration of their stay. As noted previously, many international businesses report that the process of obtaining visas and work permits can be challenging.
Despite an official unemployment rate of 24.6 percent, businesses sometimes report difficulties in filling positions, especially those requiring special skills, due to a disconnect between industry needs, the educational system, and graduates’ aspirations. There are also reports of political parties influencing hiring decisions in the private sector.

Temporary employments that are regulated under the Labor Relations Law are often used by employers in seasonal work and time-sensitive contracts. The government has programs to support engagement of temporary workers, including relaxing administrative employment procedures, and approving tax breaks for employers.

Trade unions are interest-based, legally autonomous labor organizations. Membership is voluntary, and activities are financed by membership dues. About 20 to 25 percent of legally employed workers are dues-paying union members. However, largely as a result of Macedonia’s high unemployment, the difficult economic climate, and political infighting, unions generally do not exercise much leverage, and many are considered to be under government influence.

There are two main associations of trade unions - The Union of Trade Unions and the Confederation of Free Trade Unions. Each association is comprised of independent branch unions from the public and private business sectors. Both associations, along with the representatives of the Organization of Employers of Macedonia and representatives from relevant ministries, are members of the Economic Social Council. The Council meets regularly to discuss issues of concern for both employers and employees and reviews amendments to labor related laws.

An out-of-court mechanism for labor dispute resolution was introduced in 2015, with assistance from the ILO, financed by the EU.

With the Law on Minimum Wage from 2011, amended in 2014, the government, employers’ associations, and trade union associations agreed on a minimum net wage of 10,080 denars (per NBRM May 2016 middle exchange rate: USD 188) per month for 2016. The minimum wage for the textile and leather industry, employing mostly women, is set at 9,000 denars (per NBRM May 2016 middle exchange rate: USD 168).

There are two main agreements for the public and private sectors on the national level. National collective bargaining agreements in the private sector are negotiated between representative labor unions and representative employer associations. The national collective bargaining agreement for the public sector is negotiated between the Ministry of Labor and Social Welfare and labor unions. Separate contracts are negotiated by union branches or at the industry or company level. Key challenges faced by unions include high levels of unemployment, wage levels, application of international labor standards, unionization of workers in the free economic zones, and the effects of privatization on inefficient state companies.

Foreign Trade Zones/Free Ports/Trade Facilitation
There are four major designated free trade zones, known as TIDZs, in Macedonia: Skopje 1 (Bunardzik), Skopje 2 (an area north-east of Skopje), an area in the city of Stip, and an area in the city of Tetovo. In addition, there are eleven other smaller TIDZs. Only three of the major zones contain operating companies; the smaller zones are in various stages of development, with some just
receiving their first investing companies. Amended legislation (http://www.fez.gov.mk/tir-zones-law.html) permits and regulates these zones. The Directorate for Technological Industrial Development Zones (http://www.fez.gov.mk) develops and establishes the TIDZs and supervises activities within 14 of them. The TIDZ in Tetovo is a public private partnership and is in the process of implementing its first investment project, by U.S. automotive supplier Lear Corporation.

In 2007, Johnson Controls began producing automotive electronic equipment in the Bunardzik TIDZ. In 2014, Visteon Corporation, another American global automotive parts supply company, took over that factory. Johnson Controls operates an automotive upholstery plant in the Stip TIDZ, and is opening a second plant near Strumica. Another U.S.-based company, Kemet Electronics Corporation, which produces capacitors, invested in a production facility at the Bunardzik TIDZ.

Other foreign investors present at the Bunardzik TIDZ include U.K. company Johnson Matthey, which produces catalytic converters for automobiles; TeknoHose, an Italian firm that produces high-pressure hydraulic fittings; and Protek Group, a Russian pharmaceutical company. Cap-Con’s ARC Automotive opened a factory for airbag inflators in December 2015 in the same TIDZ. Van Hool, a Belgium manufacturer of buses, built a production facility at TIDZ Skopje 2. In March 2016, Key Safety Systems commenced production of automotive airbag cushions at a greenfield investment in the Kichevo TIDZ.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

<table>
<thead>
<tr>
<th>Economic Data</th>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
<th>Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Foreign Direct Investment</th>
<th>Host Country Statistical source*</th>
<th>USG or international statistical source</th>
<th>Source of data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
</table>
**Host country’s FDI in the United States ($M USD, stock positions)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.0</td>
<td>-1.0</td>
</tr>
</tbody>
</table>

BEA data available 3/23/16 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

**Total inbound stock of FDI as % host GDP**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.8</td>
<td>3.1</td>
</tr>
</tbody>
</table>

IMF

*Table 3: Sources and Destination of FDI*

The results from the International Monetary Fund (IMF) on inward direct investment presented in Table 3 differ from the data provided by the National Bank of the Republic of Macedonia (NBRM) due to different means of determining the country of origin of investments. In particular, the IMF tends to credit investment to countries that investment directly comes from, whereas the NBRM often credits investment to a third country, if that is where the bank determined the investment originated. For example, for tax reasons, much investment in Macedonia passes through the Netherlands. The IMF lists the Netherlands as the largest investor in Macedonia, whereas the NBRM recognizes the Netherlands only as the fifth largest source of FDI in Macedonia with USD 396 million (7.8 percent of total). According to the NBRM, as of end-2015 the largest source of inward FDI is Austria with USD 672 million (13.3 percent of total investments), followed by Slovenia with USD 519 million (10.2 percent), Germany with USD 480 million (9.5 percent), and Greece with USD 406 million (8.0 percent).

*Direct Investment from/in Counterpart Economy Data*

*From Top Five Sources/To Top Five Destinations (US Dollars, Millions)*

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Inward</strong></td>
<td><strong>Total Outward</strong></td>
</tr>
<tr>
<td><strong>Total Inward</strong></td>
<td>4,893</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,058</td>
</tr>
<tr>
<td>Austria</td>
<td>628</td>
</tr>
<tr>
<td>Greece</td>
<td>522</td>
</tr>
<tr>
<td>Slovenia</td>
<td>471</td>
</tr>
<tr>
<td>Hungary</td>
<td>276</td>
</tr>
<tr>
<td><strong>Total Outward</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Serbia</strong></td>
<td>73%</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>22%</td>
</tr>
<tr>
<td><strong>Bosnia and Herzegovina</strong></td>
<td>14%</td>
</tr>
<tr>
<td><strong>Russian Federation</strong></td>
<td>10%</td>
</tr>
<tr>
<td><strong>Slovenia</strong></td>
<td>6%</td>
</tr>
</tbody>
</table>

“0” reflects amounts rounded to +/- USD 500,000.

*Table 4: Sources of Portfolio Investment*

Portfolio investment data is not available for Macedonia.

*Contact for More Information on the Investment Climate Statement*

Mr. Arben Gega, Commercial Specialist
Trade & Project Financing

Methods of Payment

Trade financing options for importers in Macedonia are limited. A considerable number of large importers regularly receive goods under a short-term supplier credit agreement. Importers are free to arrange payments through long-term supplier loans when they make larger purchases. For transactions abroad, the most preferred forms of payment are letters of credit or payments made in advance. The Macedonian Bank for Development Promotion (http://www.mbdp.com.mk/index.php/en/) provides some loans to small and medium size companies seeking to purchase technology and equipment from overseas.

The U.S. Export-Import Bank (EX-IM) serves as a potential source of export financing and insurance for U.S. transactions in Macedonia. The U.S. Small Business Administration also provides financial and business development assistance to aid small U.S. companies in developing export markets.

The SME (Small and Medium Enterprise) Commercial Finance Fund managed and operated by Crimson Capital Corporation (USA), and which was originally established and operated with USAID financing, targets companies in Macedonia that need short-term financing to fill a large order. It offers companies working capital at market interest rates against a purchase order.

Visa, Master Card, and Diners Club are the primary credit cards used in Macedonia. There are no domestic credit-rating agencies.

Banking Systems

The financial system in Macedonia consists of the National Bank of the Republic of Macedonia (Central Bank), commercial banks, financial companies, savings houses, exchange offices, the Deposit Insurance Fund, insurance companies, pension funds, investment funds, brokerage firms, and a stock exchange. The banking system itself is two-tiered, based on the Banking Law and the National Bank Law. The Central Bank is the independent money-issuing institution responsible for price stability, stability of the national currency (denar), stability of the financial system, general liquidity of payments within the country and abroad, and the conduct of the monetary policy and the foreign exchange policy. The Supervision Department at the Central Bank serves as the main regulatory body responsible for the supervision of all banking institutions and savings houses.

The Central Bank’s monetary program’s main goal is to maintain price stability. This objective is achieved by an exchange rate targeting strategy, whereby the denar is pegged against the euro as a nominal anchor for the economy. The Central Bank prepares monetary and foreign exchange projections and reports, which are publicly available.

The banking system in Macedonia consists of 14 private banks, three savings houses and the state-owned Macedonian Bank for Development Promotion. According to the Banking Law, banks observe the principles of profit maximization, liquidity, safety, and profitability. A foreign bank could
have a presence either as a legal entity or by opening up a branch or a representative office. With the changes in the Banking Law from February 2013, savings houses were allowed to transform either into a financial company, which is subject to less restrictive supervision, or into a bank. Three of them are now operating as financial companies. The major difference between a financial company and a savings house is that the former do not take deposits from individuals, and the latter do. Both institutions may lend to companies and individuals only through a banking institution, and they are not allowed to undertake other banking operations. There is no separate legislation regulating non-bank financial institutions, and they are regulated with the provisions of the previous Banking Law and appropriate sub-laws.

Three large banks, Komercijalna Banka, Stopanska Banka Skopje, and NLB Tutunska Banka, hold 60 percent of the total assets in the banking sector. Seven banks have less than 3 percent each of total banking assets. The savings houses’ share in total assets of deposit-taking institutions in 2015 was 0.6 percent, while their share in total loans was 0.8 percent.

In 2015, total deposits increased by 6.7 percent, which is 4 percentage points less compared to 2014. Total loans to enterprises and households were 9.7 percent higher on annual basis, mostly due to higher consumer loans to households. Long-term loans, which are the main contributor (82.7 percent) to the overall credit growth, have increased by 11.9 percent and their share in total loans in 2015 was 77 percent. Banks enjoy a high liquidity ratio (liquid assets/total assets) of 31.4 percent, but tend to keep most of their liquidity safe by purchasing treasury bills, Central Bank bills, or keeping accounts abroad. The capital adequacy ratio of the banking sector in 2015 was 15.5 percent, and the non-performing loans (NPL) ratio was 10.8 percent, 0.5 percentage points less than in 2014, mostly as a result of the slowdown in both households and enterprises sectors.

The Central Bank regularly conducts stress tests of the banking system, and no major weakness has been detected so far. Banking supervision has fully shifted to comply with the new BASEL 2 recommendations, and Macedonia’s Central Bank is currently implementing provisions of BASEL 3 standards.

In 2015, foreign capital was dominant in 11 banks, while decreasing its share in the total shareholders’ capital of the banking system by 1.4 percentage points to 74.8 percent. This was due to the sale of shares of an international investor in a smaller domestic bank to domestic individuals. The market share of banks with foreign ownership in 2015 remained unchanged at 69.1 percent. In 2015, all banks in dominant foreign ownership were profitable, and they accounted for 85.2 percent of the total financial result of the banking system.

In 2015, total assets of the Macedonian banking sector were USD 7.7 billion, a 5.8 increase compared to 2014. The banking sector’s overall profitability reached USD 83 million, which is a significant increase of 47.3 percent compared to the previous year. The main reason was increased net profits from interest and net profit from regular income. The profitability indicator ROE (return on equity) in 2015 reached 10.4 percent, thus increasing by 3 percentage points compared to last year, while ROA (return on assets) increased from 0.8 percent in 2014 to 1.1 percent in 2015. At the end of 2015, the banking sector employed 5,968 people, which is a decline by 20 people from 2014.

Although considerably improved over the past several years, Macedonia’s financial system is still relatively underdeveloped compared to Western standards. Banking is very conservative, offering traditional banking services only. The use of credit cards is widespread and most of the companies and shops accept credit cards as a payment instrument. Credit is available to private companies, but it is still subject to significant collateral in the form of real estate, which often is appraised by the
banks at lower than the market value. Overall customer service still does not meet Western standards.

The Central Bank reference rate (interest rate on 28-day Central Bank bills) was raised in early May 2016 from 3.25 percent to 4 percent. The average weighted lending rate of the banking system in 2015 was 6.8 percent, while the average weighted deposit rate was 2.2 percent.

For more detailed information about various aspects of the banking system and its performance, the National Bank of Macedonia publishes annual and quarterly reports on banking supervision as well as other data and information on the following web page: www.nbrm.mk.

**Foreign Exchange Controls**

Domestic and foreign entities are treated equally when opening bank accounts in Macedonia. Foreign exchange operations are regulated by the Law on Foreign Exchange Operations (Official Gazette No. 34/2001, No.49/2001 and No. 103/2001), which became effective on October 15, 2002, and was later slightly amended (Official Gazette No. 54/2002 and No. 51/2003.) The main objectives of this law are to:

1. Regulate resident and non-resident foreign transfers to and from Macedonia; and
2. Supervise and control foreign exchange.

This law also regulates the operations of exchange offices. Foreign currency accounts and foreign currency deposits of domestic and foreign individuals are regulated by the Banking Law (Official Gazette No. 67/2007). The National Bank Law that was passed in 2010 (Official Gazette No. 158/2010) allowed supervision to switch from a compliance-based to a risk-based model and further strengthened the authorities and independence of the Central Bank.

**US Banks & Local Correspondent Banks**

- There are no U.S. Banks present in Macedonia.

- Major banks in Macedonia:

  **Komercijalna Banka AD**
  Orce Nikolov 3
  P. O. Box 563
  1000 Skopje, Republic of Macedonia
  Tel: 389-2-316-8168
  Fax: 389-2-322-0975

  **Stopanska Banka AD**
  11 Oktomvri 7
  1000 Skopje, Republic of Macedonia
  Tel: 389-2-329-5295
  Fax: 389-2-311-4503

  **NLB - Tutunska Banka**
  Mother Teresa 1
  1000 Skopje, Republic of Macedonia
Tel: 389-2-15-600  
Fax: 389-2-310-5681  
http://www.nlbtb.com.mk

Ohridska Banka - Societe Generale Group  
Orce Nikolov 54  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-316-7600  
Fax: 389-2-311-7164  
http://www.ohridskabanka.mk

Halkbank  
Mito Hadzivasilev Jasmin bb  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-324-0800  
Fax: 389-2-329-6330  
http://www.halkbank.com.mk/

ProCredit Bank  
Manapo bb (behind City Mall)  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-321-9900  
Fax: 389-2-321-9901  
http://www.pbb.com.mk

Sparkasse Bank  
Makedonija 9 – 11  
1000, Skopje, Republic of Macedonia  
Tel: 389-2-320-0501  
Fax: 389-2-320-0515  
http://http://www.sparkasse.mk

Macedonian Bank for Development Promotion  
Dimitrie Cupovski 26  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-311-5844  
Fax: 389-2-323-9688  
http://www.mbdp.com.mk

Project Financing  
Financing and insurance for exports, investment, and development projects are possible through U.S. agencies such as the U.S. Trade and Development Agency (TDA), the U.S. Export-Import Bank (EX-IM), the Overseas Private Investment Corporation (OPIC), the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (World Bank), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the Southeast Europe Equity Fund (SEEF).

Most major project funding is achieved through co-financing agreements, especially for transportation, telecommunication and energy projects.
Financing Web Resources


OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA’s Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm


Multilateral Investment Guarantee Agency: http://www.miga.org

Business Travel
Business Customs
There are no specific customary business practices distinct to Macedonia. Macedonia’s business customs are generally similar to Western business customs.

Business attire for professionals in Macedonia is similar to that in the United States. Shaking hands is the standard form of greeting and introduction. Establishing a good relationship in Macedonia requires the creation of trust. Meetings over coffee, luncheons, and dinners create the opportunity to gain both mutual trust and understanding.

Traditional businesses operate from 8:30 AM until 4:30 PM, but an increasing number of businesses are adopting Western working hours, including weekend hours.

Travel Advisory
Prior to travel, U.S. citizens should check the U.S. Embassy Skopje website http://macedonia.usembassy.gov/ or the State Department site at http://travel.state.gov/content/passports/english/country/macedonia.html for the latest travel warnings and advisories. Travelers may also contact the Consular Section at the U.S. Embassy in Skopje (phone: + 389-2-310-2000 or fax: + 389-2-310-2499).

Protests have occasionally devolved into localized violent incidents. Public protests, demonstrations, and strikes occur sporadically in Macedonia, often resulting in disruptions, particularly near the center of Skopje. You should avoid demonstration areas and exercise caution if traveling near demonstrations.
Violent crime against U.S. citizens is rare. Theft and other petty street crimes do occur, particularly in areas where tourists and foreigners congregate. Do not leave anything of value in plain view in unattended vehicles. ATM use is generally safe; however, take standard safety precautions and be aware of your surroundings.

Visa Requirements
U.S. citizens need a valid U.S. passport for travel to Macedonia. Visas are not required for tourist or business trips of less than 90 days within a six-month period. You must have a visa to work, study, or stay longer than 90 days, and Macedonia’s Border Police strictly enforce the 90-day limit.

U.S. companies that require travel by Macedonia’s citizens to the United States for business purposes should review general information on visas and the U.S. Embassy’s website.

Visa applicants should go to the following links:

State Department Visa Website: https://travel.state.gov/content/visas/en.html

U.S. Embassy – Skopje, Macedonia: http://macedonia.usembassy.gov/

Currency
The Macedonian denar (MKD) is the official currency of Macedonia; euros, U.S. dollars, and other foreign currencies are not accepted as payment. You can change money at banks or official exchange offices. ATMs are widespread in Skopje and major towns. Almost all ATMs accept international bank cards and have an English language option.

Credit cards are accepted in hotels, larger stores, and restaurants; you will need denars for purchases in smaller establishments.

Travelers checks are not used in Macedonia.

Telecommunications/Electric
Fixed telephony is available in all towns. Visitors may rent a cell phone on arrival. GSM phones will work in Macedonia. There is cell phone coverage in all populated areas and in most unpopulated areas as well.

Fixed lines are provided by the dominant telecommunication service provider - Makedonski Telekom (T), and a range of other VoIP providers of telephony services. There are two cell phone service providers – T, owned by Magyar Telekom and the Government of Macedonia, and one.Vip, owned by Telekom Austria Group. Both telecom service providers are commercially deploying 3G and 4G mobile telecommunications technology.

Macedonia’s international calling code is +389 when dialing Macedonia from outside the country. The international call prefix for calls from Macedonia to other countries is 00. Most hotels offer Wi-Fi throughout the building. Public hotspots in urban areas are increasing, especially in coffee shops and restaurants.
There are several Internet access service companies that provide telecommunications services including data communications access and telephone connection. See Travel Related Web Resources.

Electricity in Macedonia is 230V, with a frequency of 50Hz. European plug types C and F are used.

**Transportation**

**Air Travel**

There is no direct commercial air service between the United States and Macedonia.

Macedonia has two commercial airports:

Skopje “Alexander the Great” Airport – Petrovec (20km east from Skopje)  
Tel: 389-2-314-8333  

Ohrid “Saint Paul the Apostle” Airport (12km north-west from Ohrid)  
Tel: 389-46-252-830  

Between November and February, thick smog can limit visibility at Skopje’s airport, causing flight delays, diversions, and cancellations. The Skopje airport website provides flight information, including delays and cancellations due to weather conditions.

A number of airlines fly to Macedonia. Please check the airport websites for the most current list. As there is no direct commercial air service to the United States by carriers registered in Macedonia, the U.S. Federal Aviation Administration (FAA) has not assessed the Government of Macedonia’s Civil Aviation Authority for compliance with International Civil Aviation Organization (ICAO) aviation safety standards. Further information may be found on the FAA’s safety assessment page:  
[https://www.faa.gov/about/initiatives/iasa/](https://www.faa.gov/about/initiatives/iasa/)

Adria Airways  
Tel: 389-2-311-7009  
[http://www.adria.si/](http://www.adria.si/)

Air Serbia  
Tel: 389-2-311-8306  

Alitalia  
[http://www.vas.mk](http://www.vas.mk) – general sales agent in Macedonia

Austrian Airlines  
Tel: 389-2-314-8372  
[http://www.austrian.com](http://www.austrian.com)

Croatia Airlines  
Tel: 389-2-256-1850  
[http://www.croatiaairlines.com](http://www.croatiaairlines.com)
Road travel

Most major highways are in good repair, but many secondary urban and rural roads are poorly maintained and poorly lit. Driving safely in Macedonia requires excellent defensive driving skills. Many vehicles are old and lack standard front or rear lights. Secondary mountain roads can be narrow, poorly marked, and lacking guardrails, and can quickly become dangerous in inclement weather. Horse-drawn carts, livestock, dead animals, rocks, or other objects are sometimes found in the roadway. In case of emergency, drivers may contact the police at 192, the ambulance service at 194, and roadside assistance at 196. Driving at night in rural mountainous areas is not advised due to poor or nonexistent lighting.

Rent a Car Agencies:

AVIS Rent a Car
Tel: 389-2-256-1847
http://www.avis.com.mk

EUROPCAR
Tel: 389-70-205-546
www.europcar.com.mk

SIXT Rent a Car
Tel: 389-75-448-902
www.sixt.com.mk

HERTZ Automobile SK
Tel: 389-70-217-881
www.hertz.mk

Public Transportation

Public transportation such as buses and trains is available and inexpensive, but may be unreliable, dilapidated, and not meet U.S. safety standards.
Macedonia has a limited rail network that is not typically used by visitors. Macedonia’s railroad system is connected to Serbia and Kosovo to the north and to Greece in the south. Construction of a railway link with Bulgaria is expected to be completed by 2020. Train travel, while inexpensive, is not advisable in Macedonia.

Taxis are widely available in Skopje and generally reliable. Passengers should always wear seat belts. Use legitimate, metered taxis to avoid conflicts about the fare.

**Walking**

Take care at all times while on foot. Pedestrians should be very cautious when crossing the street, even when using crosswalks, as local drivers often do not slow down or stop for pedestrians.

**Language**

Many of Macedonia’s citizens speak foreign languages in addition to Macedonian or Albanian. English is the predominant foreign language, followed by German and French. Although many companies in Macedonia have English speakers among their managers, U.S. business representatives should be prepared to do business through locally hired interpreters.

**Health**

We recommend purchasing comprehensive insurance that covers overseas medical expenses and medical evacuation costs before travelling. Many physicians in Macedonia are trained to a high standard, and some well-equipped private clinics are available, especially in Skopje. However, most public hospitals and clinics are not equipped nor are they maintained at U.S. or Western European standards. Basic medical supplies are usually available, but specialized treatment may not be obtainable. Travelers with previously diagnosed medical conditions may wish to consult their physician before travel. Health risk exists for air pollution especially during the winter months and tick-borne diseases in the spring and summer.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention’s info line at 1-800-CDC-INFO (1-800-232-4636) or via the CDC’s internet site at [http://www.cdc.gov/travel](http://www.cdc.gov/travel). Visitors should obtain routine immunizations recommended by the CDC prior to entering the country.

**Local Time, Business Hours and Holidays**

**Time:** GMT + 1 hour

**Business Hours:** 08:30 – 16:30

**2016 Holidays:**

- January 1 - New Year’s Day
- January 7 - Orthodox Christmas
- May 1 - Orthodox Easter
May 1 - Labor Day
May 24 - Saint Cyril and Methodius Day
July 5 - Ramadan Bajram
August 2 - Ilinden Uprising Day
September 8 - Independence Day
October 11 - People’s Uprising Against Fascism
October 23 - Revolutionary Struggle Day
December 8 - Saint Clement of Ohrid Day

If a holiday falls on a weekend, the government will generally issue a decision shortly before the holiday declaring the preceding Friday or following Monday an official holiday. In some cases, the government may declare an extended holiday.

Consistent with European practices, business activity in Macedonia slows during late July and August, when many people take extended summer holidays.

Temporary Entry of Materials or Personal Belongings

Travel Related Web Resources
T Makedonski Telekom
Tel: 389-2-310-0200
http://www.telekom.mk/t-contact.nspx

VIP
Tel: 389-77-1234
http://www.vip.mk

UNET
Tel: 389-2-306-6505
http://unetcloud.mk/

Neotel
Tel: 389-2-551-1100
http://neotel.mk/
Leading Sectors for US Exports & Investments

Best Prospect Overview

Energy

Overview

Changes in the energy market in Macedonia are largely shaped by construction of an internal gas distribution network, the start of the liberalization of the energy market, increased regional cooperation, and the restructuring of electricity generation.

Since 1994, electricity consumption in Macedonia has grown by an average of three percent annually. It is expected that electricity consumption will continue to rise.

Macedonia’s state-owned power company was partially privatized in the 2000s. Austrian utility company EVN has been responsible for electricity distribution in Macedonia since entering the market in 2006. State-owned MEPSO is Macedonia’s electricity transmission system operator. ELEM is Macedonia’s state-owned electricity producer.

The electric power production system in Macedonia consists of two thermal power plants with a total of 800 MW installed capacity and eight hydro power plants with 504 MW installed capacity. There are two open pitch lignite mines with a total capacity of 7 million tons/year. The total annual production of electricity in the country is approximately 6,100 GWh, which satisfies about 70 percent of the total domestic energy needs. Macedonia is a full member of the Union for the Coordination of Production and Transmission of Electricity European Interconnection (UCPTE), which ensures interconnection compatibility with European electric power systems. The government is exploring the possibility of building additional small scale and large scale hydro power plants.

A natural gas transportation pipeline operated by GA-MA, the gas transmission system operator jointly owned by the government and Makpetrol, carries Russian gas from the Bulgarian border to Skopje. Gazprom owns the capacity within the pipeline and a small section of the pipeline in Macedonia near the Bulgarian border. This pipeline currently supplies primarily industrial users, but several projects are planned to promote the gasification of the country. The government has established Macedonian Energy Resources (MER) to oversee construction of an internal gas distribution network. The government has stated its interest in building natural gas interconnections with Greece and Bulgaria in order to diversify its sources of natural gas, perhaps through connections to the Trans-Adriatic Pipeline (TAP) or liquefied natural gas (LNG) terminals in Greece.

A 213-km oil pipeline with a capacity of 2.5 million tons per year connects oil storage facilities at the Greek port of Thessaloniki with OKTA’s aging oil refinery outside Skopje. The pipeline and refinery are not in use; OKTA primarily operates as an oil trader in Macedonia.

Sub-Sector Best Prospects

Following the privatization of electricity distribution system, the government has liberalized part of the electricity generation market. The government is offering concessions for investment in hydropower facilities and other renewable energy generation opportunities, such as electricity generation from wind and installing solar – thermal systems. The law on energy is available at https://www.energy-community.org/pls/portal/docs/850177.PDF. There are also opportunities to promote more efficient use of electricity, through home insulation and installation of more efficient
heaters and electromechanical devices. Also, liberal legislation provides opportunities for small projects and Individual Power Plant construction and operation.

**Opportunities**

Macedonia welcomes investments in the energy sector. The government invites companies to design, build, and operate new large and small hydro power plants. Companies can apply for tenders to construct sections of the national gas infrastructure network. ELEM is interested in upgrading the existing thermal power plants of “REK Oslojme” and “REK Bitola” and constructing a new coal-fired thermal power plant in Mariovo. The government is investigating converting the mothballed heavy oil-fired TEC Negotino power plant to natural gas as well as constructing new gas-fired power plants. To improve air quality, the government has announced it will facilitate households’ purchases of cleaner wood pellet stoves for home heating.

**Web Resources**


EVN Macedonia – Electricity Power Distribution and Supply Company - [https://www.evnmk.com/](https://www.evnmk.com/)


**Transportation**

**Overview**

Macedonia is situated in the center of the Balkan Peninsula at the intersection of several road and railway links. Macedonia has a total length of 2,040 kilometers of regional roads, 1,410 kilometers of secondary regional roads, 870 kilometers of motorways, and 700 kilometers of railways. Two Pan-European Transportation Corridors, Corridor 8 (east-west) and Corridor 10 (north-south) pass through Macedonia. Corridor 8 consists of the E-65 road from Varna, Bulgaria to Durres, Albania via Skopje, Macedonia and Sofia, Bulgaria. Corridor 10 consists of the E-75 road from Athens, Greece via Skopje, Macedonia, Belgrade, Serbia, and Zagreb, Croatia to Munich, Germany.

Improvements in the past few years have focused primarily on the elimination of “bottle necks” and the completion of the infrastructure on both corridors.

**Sub-Sector Best Prospects**

Macedonia aims to position itself as a key crossroad in pan-European Corridor 8 (east-west) and Corridor 10 (north-south) inland transportation routes across Southeastern Europe. When it comes to shipping goods by land versus by sea, these surface transportation corridors cannot compete with
alternative maritime routes on price alone. However, Macedonia believes it can capitalize on its advantage in terms of distance, compared to much longer sea routes, to be able to establish competitive transit routes across its territory.

**Opportunities**

U.S. companies can participate in infrastructure development in the areas of construction equipment and materials, tollbooth equipment, electronic data processing equipment, traffic monitoring, project management services, and telecommunications equipment.

With its centrally positioned geographical location, Macedonia can serve as a distribution center for the U.S. vendors operating in the Balkan region and beyond.

Several foreign airline companies (Adria Airways, Air Serbia, Alitalia, Austrian Airlines, Croatia Airlines, flydubai, Pegasus, Swiss Air, Turkish Airlines, and Wizz Air) fly into Macedonia’s main airport near Skopje. Foreign carriers fly to Skopje from Vienna, Zurich, Geneva, Ljubljana, Zagreb, Belgrade, Dubai, and Istanbul, among others. U.S. companies have bid for contracts in the field of air transportation services, airport equipment and construction, and air navigation, and control systems.

**Web Resources**


**Computers and Information Technology Equipment**

**Overview**

The information and communications technology (ICT) sector in Macedonia is a promising area for U.S. companies. With a growth rate of 2.3 percent in 2015 compared to 2014, the total ICT market value in Macedonia for 2015 is expected to have reached close to USD 500 million. The ICT sector in Macedonia benefits from a skilled and cost effective workforce with excellent English language skills, solid telecommunications infrastructure, and low corporate tax. ICT representatives expect the sector should continue to grow also through the end of 2016.

Hardware is the largest segment (62 percent) of the ICT market in Macedonia. ICT services are the second largest segment (25 percent), and software is in third place, comprising 13 percent of ICT market. Most of the world’s largest ICT companies, such as Microsoft, Cisco, Oracle, Dell, Compaq, Hewlett Packard, IBM, Sun Microsystems, Apple, and Lotus, are present in Macedonia via branch offices, distributors, dealers, resellers, solution providers, and business partners.

**Sub-Sector Best Prospects**

The best prospects continue to be in information and communication technologies such as smart phones, tablets, cloud technology, Wireless Application Protocol services, 4G equipment and solutions. There are also opportunities for alternate traditional telephone service operators and services such as call centers, home-work services, and distance learning services. Good opportunities continue to exist in the telecommunications sector for innovative peripheral products and services. The largest customers in telecommunications are the two mobile operators in Macedonia: T (Makedonski Telekom) and one.Vip.
Opportunities

Several software development companies are creating applications for Western markets. These include banking, air traffic control, digital animation, and website development.

With the liberalization of the telecom industry in 2005 (the Law on Electronic Communications; https://www.itu.int/ITU-D/tech/OLD_TND_WEBSITE/digital-broadcasting_OLD/Bulgaria_Assistance_Transition/Macedonia/Electronic%20Communications%20Law.pdf), many opportunities exist to sell products and services in this market.

Web Resources

Agency for Electronic Communications - www.aek.mk
MASIT – ICT Chamber of Commerce - www.masit.org.mk
Ministry of Information Society and Administration - www.mio.gov.mk
Ministry of Transport and Communications - www.mtc.gov.mk
Macedonian Academic and Research Network (MARnet) http://dns.marnet.net.mk
Macedonian e-Society Association (MESA) www.e-society.org.mk
Metamorphosis Foundation for Internet and Society www.metamorphosis.org.mk

Construction and Building Materials

Overview

Macedonia’s government has supported the domestic construction industry with the redevelopment of central Skopje (Skopje 2014) and infrastructure projects. The construction industry has accounted for between five and eight percent of annual GDP for over a decade. According to data compiled from building materials manufacturers, building construction has continued to increase rapidly. The construction industry’s turnover surpassed USD 680 million in 2015 (capital investments together with funds of the Public Enterprise for State Roads), almost 30 percent of which was spent on imported products, equipment, and fixtures.

Sub-Sector Best Prospects

Many major infrastructure projects are underway in Macedonia to improve connections with trading partners and increase economic growth. The World Bank, EBRD, and China’s Exim Bank are financing new highways, and Macedonia is also investing in local roads. For rail infrastructure, Macedonia’s priority is to complete a rail link to Bulgaria. Residential building has also picked up in the last several years and is expected to continue in the coming period. Macedonia welcomes foreign construction companies that bring new technologies and know-how and work with Macedonian firms as subcontractors.

Opportunities

There are both export and investment opportunities available for U.S. companies in the construction and building materials sector. Buildings in Macedonia are energy inefficient and heavy and take a relatively long time to build. Wood and steel frame buildings are almost unknown, though builders in Macedonia are starting to examine American-style platform-frame wood construction and prefabricated housing. This situation offers many opportunities to promote high-tech American
building materials based on advanced U.S. technology. U.S. building products that may have good market prospects include wood and vinyl windows, doors, flooring and kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roofing shingles, heating and ventilation equipment, air conditioning, refrigeration, and cooling systems. The domestic market in Macedonia offers primarily cement, cement products, and gypsum products.

**Web Resources**


**Hotel and Restaurant Equipment / Tourism**

**Overview**
The tourism sector offers export and investment opportunities and has significant potential for future development. The country’s geographical location, mild climate, and historic and religious sites provide favorable conditions for the development of the tourism industry. Macedonia has 279 licensed hotels categorized from 5 stars to 1 star, campground, and in total, over 71,000 tourist beds. Macedonia has many tourist attractions, including three natural lakes (Lake Ohrid, Lake Prespa, and Lake Dojran), and high mountains suitable for camping, hiking, and winter sports. The most popular tourist destination, which accounts for almost 80 percent of Macedonia’s tourist revenues, is Lake Ohrid. The town of Ohrid, in an area of great natural beauty, enjoys the protection of UNESCO as a historical and cultural heritage site. Tourists primarily come from Turkey, Greece, Serbia, Bulgaria, the Netherlands, Albania, and Germany.

U.S. franchise hotels, Holiday Inn and Best Western, are present in Skopje. A locally owned hotel operated by Marriott under the Marriott brand name opened in May 2016 in Skopje.

**Sub-Sector Best Prospects**
Since there has been very limited investment in tourism, legacy hotels need repair and upgrading. There has been an increase in the construction of smaller hotels, more suitable to the market in Macedonia, primarily in Skopje and in areas around Lake Ohrid. There are no golf courses in Macedonia, nor do the three largest lakes, Ohrid, Prespa, and Dojran, have any significant watersport centers.

**Opportunities**
Attracting visitors to Macedonia is a high priority of the government, which reduced the Value Added Tax (VAT) on tourism from 18 percent to 5 percent, offers subsidies to tour operators and airlines, and is encouraging the development of new tourist destinations. Investors in priority projects receive special benefits, such as 0 percent personal income tax and 0 percent VAT in the first 10 years of operation. USAID has supported the development of adventure tourism products in Macedonia, such as hiking, biking, and paragliding.

**Web Resources**

Agricultural Sector

Overview

The food and beverage industry is one of Macedonia's most promising sectors, based on previous performance and potential. Most of the food-processing facilities are in private hands. Agribusiness in Macedonia in 2015, including agriculture, forestry, and fisheries, accounted for 7.4 percent of GDP and 17.2 percent of the total number of persons employed in the country.

In 2013, the Government of Macedonia adopted a four year National Strategy for Agriculture and Rural Development 2013 - 2017 to strengthen the ability of Macedonia’s agricultural sector to compete in the EU and other regional markets and to promote sustainable development of rural areas. Consequently, the total agriculture budget (including financial support to agriculture development and subsidies to farmers) has increased from USD 49.3 million in 2007 to USD 176 million in 2016 (exchange rate USD 1 = 55 MKD), and accounted for around 5.5 percent of the national budget. The government has promoted agriculture as one of the most important sectors for the development of the economy in Macedonia and adopted and amended several agriculture related laws to comply with EU requirements.

Exports of agriculture and food products in 2015 constitute 12.01 percent of Macedonia’s total exports. The top export-import markets for agriculture and food products are the EU and Western Balkan Countries (Serbia, Kosovo, Croatia, and Bosnia) (approximately 90 percent of the total exports), and neighboring Bulgaria and Greece. The main export products from Macedonia are tobacco (35 percent of total agricultural exports), wine (15 percent), fresh and processed vegetables and fruits (10 percent), and lamb meat (5.7 percent). The main import products remain meat (beef, poultry, and pork comprise 50 percent of the total agriculture imports), tobacco, edible oils, and grains.

Macedonia-U.S. trade in agricultural products dropped from USD 25 million in 2014 to USD 22 million in 2015. The U.S. share of Macedonia’s agricultural imports increased from 0.7 percent in 2013 to 0.9 percent in 2014. The share of Macedonia’s agricultural exports going to the United States dropped from 5.5 percent in 2013 to 3.5 percent in 2014.

Food and beverage processing are significant industries in Macedonia, as well as fresh fruits and vegetables. Processed foods include both semi-finished products (including frozen, dried, and concentrate) and finished products (canned and preserved). Over 75 percent of the processed foods are exported, mostly to the EU and to neighboring countries.

As of January 1, 2009, in accordance with the Law on Veterinary Public Health and the Rule Book on sanitary and hygiene conditions for food production, every establishment that is involved in production and/or trade of food products has to implement HACCP standards in order to be able to operate.

Sub-Sector Best Prospects

Wine production: Macedonia produces approximately 1 million hectoliters of beer, mostly for domestic consumption, and approximately 1 million hectoliters of wine annually in 75 wineries. Though Macedonia exports much of its wine in bulk, an emerging number of smaller private wineries are starting to export quality bottled wine. In 2015, export of bulk wine further dropped from 77.2 to 66 percent in favor of bottled. Over 80 percent of domestic wine production is exported, mainly
to the EU, former Yugoslav countries, China, Canada, Japan, and the United States. Export opportunities exist for U.S. companies for equipment that will increase the volume of wine bottled in Macedonia and technology and supplies that will stimulate grape production.

**Organic production:** Organic farming is an area of expected development and interest both by domestic and foreign markets. In 2009, Macedonia adopted a new Law on Organic Agricultural Production, which is harmonized with EU regulations. There are some 350 certified organic farms in the country, and they produce cereals, industrial oil crops, wine, fruits, and vegetables.

**Fresh vegetables production:** Vegetable production is export oriented. Almost 80 percent of the vegetable production is exported either as fresh, preserved, or processed vegetables. The production of vegetable crops is concentrated in the southern and eastern parts of the country, due to the favorable climate. Over 75 percent of the production is in open fields, 20 percent in plastic tunnels, and the rest in glass greenhouses. The top three vegetable crops are tomatoes (over 50 percent), peppers, and cabbage.

**Preserved fruits and vegetables:** The food processing industry in Macedonia consists of 50 companies with a processing capacity of approximately 120,000 tons of vegetables and fruits per year. Ninety-one percent of them process vegetables and 9 percent process fruits. The most significant raw materials are red peppers, industrial tomatoes, sour cherries, apples, and plums. Although the industry is export oriented, with over 80 percent of the production going to EU and neighboring markets, there is a traditionally low level of utilization of the production capacity. This mainly reflects the discontinuity in the supply of quality raw materials and steady contracts with suppliers, lack of skilled workers, and difficult access to financing.

**Opportunities**

Macedonia needs agricultural machinery and equipment, meat and dairy equipment, and veterinary equipment and supplies to expand the quality and quantity of its production. Domestic production of agricultural machinery is minimal, and the market relies on imports. There are substantial opportunities for U.S. companies in the agribusiness area for equipment that will add value to the food processing sector, such as bottling, packaging, and refining equipment.

The key weaknesses of the agriculture sector are the lack of modern equipment and lack of investment into processing facilities. The food sector is going through significant restructuring to comply with EU standards. Experts have also identified problems in waste treatment and waste disposal, hygiene, and in meeting environmental standards.

The Macedonian government considers agriculture a target area for future investments, growth and development, including increased foreign direct investment.

**Meat:** Macedonia has insufficient meat production, and the number of farm animals is dropping yearly. Macedonia satisfies over 50 percent of its meat consumption through imports. All of the poultry industry is focused on egg production, and although there is a constant surplus of eggs, there is very little investment in processing facilities. Poultry meat production is insufficient to satisfy the local fresh meat market. The domestic pork industry satisfies 90 percent of the market for fresh meat, but the processing industry imports almost 100 percent of its needed quantities. There is a significant lack of beef, as most of the cattle are dairy cows.

**Grain market:** Macedonia imports most of its grains. There is insufficient domestic production of corn, and annually, the country imports one-third of its wheat needs. There is no production of soya beans, and most U.S.-origin soybean meal is purchased from Greece, Serbia, and Hungary by large
farms and concentrate producers. Higher protein meal is in demand, but the market is price sensitive. In 2013 Macedonia changed its legislation to prevent use of genetically engineered commodities in animal feed.

Web Resources

Food and Veterinary Agency of Republic of Macedonia – http://www.fva.gov.mk/