



U.S.  
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SERVICE  
United States of America  
Department of Commerce

## U.S. Country Commercial Guides



2017

Macedonia

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## Doing Business in Macedonia

### Market Overview

The Republic of Macedonia is an emerging market. With a population of roughly 2 million, this small, land-locked economy in South Eastern Europe has made great strides in reforming its economy over the past two decades, but remains one of Europe's poorest countries.

- EU and NATO candidate
- Ranked 10th best by the World Bank's Doing Business 2017 report
- Open economy that welcomes foreign direct investment and trade
- Middle-income country with per capita income of USD 5,256 in 2016
- Sound macroeconomic fundamentals
- Stable currency pegged to the euro
- Low inflation (-0.2 percent in 2016)
- GDP growth of 2.4 percent in 2016
- Unemployment rate of 23.7 percent; youth unemployment about 50 percent
- Competitive wages (average monthly salary of USD 365 in 2016)
- English-speaking workforce
- Low taxes: 10 percent rate on personal and corporate income
- Largest sources of FDI are Austria (12.6 percent of total), Slovenia (9.6 percent), Germany (9.6 percent), the Netherlands (7.8 percent), and Greece (7.4 percent)
- Total 2016 trade (imports plus exports) of USD 11.5 billion, or 105.8 percent of GDP
- Largest trading partners in 2016 were Germany (26.7 percent of total trade), UK (6.8 percent), Serbia (6.3 percent), Greece (5.7 percent), and Italy (4.9 percent)
- In 2016, the United States was Macedonia's 13th largest trading partner. U.S.- Macedonia trade totaled USD 201 million, of which U.S. exports were USD 150 million (Government of Macedonia statistics). In 2016, U.S.-Macedonia trade totaled USD 276.5 million, of which U.S. exports were USD 45.8 million (U.S. Government statistics).
- Member of European Free Trade Agreement (EFTA) and Central European Free Trade Agreement (CEFTA); bilateral Free Trade Agreements with Turkey and Ukraine

### Market Challenges

- Weak rule of law and corruption
- Political interference in the economy
- Slow moving judicial system subject to political pressure
- Legislative and regulatory unpredictability
- Inefficient bureaucracy
- Opaque tendering process
- Inconsistent enforcement of intellectual property rights
- Difficulties in collecting payments from both public and private sector entities
- Need for improvements in transport infrastructure

### Market Opportunities

- The most successful U.S. trade products during 2016 in Macedonia have been pharmaceutical preparations, engine and engine parts, medicinal equipment, laboratory testing instruments, frozen meat products, and computer hardware and software.
- **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 best strategy to enter the market varies according to the product, service, industry, and company’s long-term strategy.
- Visiting the country to determine the best market entry strategy is recommended.
- Before choosing local agents or distributors, due diligence is crucial. Maintaining close contact with them is also important.
- Enlisting qualified local legal services for contract negotiations is highly advisable.

## **Political and Economic Environment**

### **Political and Economic Environment**

Please see the U.S. Department of State [fact sheet](#).

## **Selling U.S. Products and Services**

### **Using an Agent to Sell U.S. Products and Services**

Use of an agent or distributor is not legally required. When doing business in Macedonia with agents and distributors, U.S. companies are strongly encouraged to identify reliable, vetted, and proven individuals. Typically, one agent or distributor can cover the entire country effectively. Because of the relatively small size of Macedonia, potential partners may want to cover other countries in the region.

U.S. companies can consult business associations such as the American Chamber of Commerce in Macedonia for advice on identifying a trustworthy agent or distributor.

### **Establishing a Local Office**

U.S. companies wishing to establish a presence in Macedonia have several options. The Trading Company Law authorizes local and foreign individuals or companies to establish the following types of business entities: general partnership (JTD), limited partnership (KD), limited liability company (DOO or DOOEL), joint-stock company (AD), limited partnership by shares (KDA), and sole proprietorship (TP). In addition, foreign-domiciled companies and foreign sole proprietors can open branch offices.

The [Central Registry](#) registers new local companies and branch offices of foreign companies. It has a single window (one-stop-shop) system, simplifying the process of establishing business entities.

A foreign company may establish a representative office to conduct market research and gather information by registering with the Central Registry's register of representative offices of foreign companies in Macedonia. A representative office is not a legal entity in Macedonia and may not carry out commercial activities.

It is highly advisable to work with a reputable local business consultant, attorney, and accountant.

### **Franchising**

Franchising is legally permitted but continues to be a relatively unexploited concept in Macedonia. Several international franchises are present, especially in the retail, hotel, and food and beverage sectors. Given Macedonia's small size, investors may wish to buy franchise licenses for several markets in the region and not just for Macedonia.

### **Direct Marketing**

Direct marketing is not well developed in Macedonia. Facebook advertising is the most successful channel; techniques such as direct mail, telemarketing, and television sales are less popular. Home demonstrations and door-to-door sales are not used; however, Avon has reported success with direct selling.

Direct marketing and selling from the United States to Macedonia is still quite difficult due to Macedonia's low purchasing power, the high cost of shipping, and lack of security for packages. Citizens in Macedonia still prefer to pay with cash, but debit and credit card usage is growing yet lags behind other European countries. Macedonia is behind in access to electronic payment systems and innovative payment solutions.

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**

Macedonia permits, but does not require joint ventures. Joint ventures, including between foreign and local investors, are increasingly common. Joint ventures are subject to the provisions of Law on Protection of Competition, which regulates the concentration of economic activity.

Licensing is not widely used in Macedonia outside of the pharmaceutical industry.

## **Selling to the Government**

Selling to government entities in Macedonia is not an easy process. Macedonia has a decentralized public procurement system, with each government entity carrying out its own procurements.

Macedonia's lack of transparency, political favoritism, corruption, and mismanagement are historically serious obstacles for companies bidding on public tenders. Some local and foreign companies reported that some government tenders were clearly written with a specific, politically connected, company in mind and that those politically connected firms sometimes tried to deter competitors from bidding. Businesses also reported late payments by the central and municipal governments for works, goods, and services. The European Union's November 2016 report said Macedonia needed to do more to prevent irregularities and corruption during the procurement cycle and to ensure a transparent, efficient, and effective public procurement regime.

The Law on Public Procurement, adopted in 2007 and subsequently amended, regulates public procurements in Macedonia. The central government, municipalities, and any entity receiving public funds must follow public procurement procedures outlined in that law. The law guarantees equal treatment to local and foreign economic operators in public procurement; only a handful of tenders (especially in defense) are restricted to domestic companies.

The law authorizes different types of public procurement procedures: open procedure, restricted procedure, competitive dialogue, negotiated procedure (with or without prior publication of a contract notice), and simplified competitive procedure. A simple tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases) must precede an award. Government entities are legally obligated to post all tenders above EUR 50,000 for goods and services and above EUR 200,000 for works on the EU Tenders Electronic Daily (TED) website.

The law mandates use of electronic auctions and awards based solely on the lowest price criterion, rather than on the concept of economically most favorable bid. This can disadvantage U.S. companies producing higher quality, but initially more expensive, products (e.g., medical equipment). The Public Procurement Bureau within the Ministry of Finance operates the [e-procurement system](#). Prior registration with the electronic system for public procurement (ESPP) is mandatory to participate in public tenders. Economic operators can appeal procurement decisions with the State Committee for Appeals of Public Procurement Procedures.

Macedonia's public procurement suffers from low competition and annulments of tenders. The Public Procurement Council was introduced in 2014 to review prospective tenders to ensure contracting authorities were not reducing competition through technical specifications. This has made public procurements slower and more expensive for contracting authorities without increasing competition.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project *Financing*" Section in "*Trade and Project Financing*" for more information. Tenders financed by international financial institutions such as the World Bank must be conducted pursuant to the organization's procurement guidelines. The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the [World Bank](#)



and the [European Bank for Reconstruction and Development](#). Requests for assistance regarding World Bank and EBRD tendering processes can be addressed to those liaison offices.

Macedonia is not a party to the WTO Agreement on Government Procurement (GPA).

### **Distribution and Sales Channels**

U.S. companies seeking to distribute and sell their goods will find a considerable number of merchants, agents, middlemen, wholesalers, and retailers available in Macedonia. Most of the typical distribution channels are available, although they often lack the sophistication found in EU markets.

Since Macedonia is a land-locked country, sea freight arrives primarily from the port of Thessaloniki in Greece, and less frequently from the ports in Piraeus (Greece) and Durres (Albania). Air freight arrives at one of Macedonia's two airports: in Skopje and Ohrid. Information about cargo operations at Skopje's airport can be found [here](#). Goods also arrive overland by truck and by rail.

Most consumer goods are imported by distributors who resell to retailers. A few retailers import goods directly for sale in their own outlets.

Macedonia's retail sector is dominated by small shops. There are a few shopping malls in Macedonia, including Skopje City Mall, which opened in 2012.

Two large foreign supermarket chains are present in the market: Vero (part of the Greek Veropoulos group) and Turkish Ramstore. Local grocery retailers include Tinex and Kam Market.

### **Express Delivery**

Major express delivery service providers, such as FedEx, UPS, DHL, and EMS (operated by Macedonian Post) serve Macedonia. Express shipping from large U.S. cities generally takes from three or four business days (FedEx, UPS, and DHL) to a week (EMS).

International postal traffic is subject to customs supervision in accordance with local customs and postal laws and international postal regulations. Customs procedures are sometimes unduly burdensome. 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 June 2017 middle exchange rate: USD 24.00).

### **Selling Factors and Techniques**

Sales materials, labels, usage instructions, and declarations (e.g., information about what the product is made of, who produced it, who imported it, expiry date) must be in the Macedonian language.

Selling techniques vary according to the industry and product. Companies should research Macedonia's market before implementing promotional activities, as strategies used in the United States may not be equally effective in Macedonia.

Price is usually the decisive selling factor, since disposable income in Macedonia remains low compared to Western European countries. Brand image is also increasingly important, leading some consumers to purchase cheap knockoff merchandise and counterfeits online and at local shops, often believing they are buying genuine items.

Financing and payment terms play a key role in sales. Many buyers prefer to pay for purchases in monthly installments. Quality and support services attract more sophisticated customers with higher incomes.

Strong local contacts are important for success. Companies should be prepared to spend time cultivating relationships with buyers and finding motivated and skilled local sales representatives.

## **eCommerce**

### **Overview**

Ecommerce is growing in Macedonia but is still relatively low, both in terms of local merchants selling and consumers shopping online. In 2010, less than 1 percent of Macedonia's citizens were buying online. A 2015 UNCTAD report measuring the e-commerce readiness of countries ranked Macedonia near the bottom.

In 2016 internet penetration was 75.3 percent; 81 percent of internet users could access the internet via a smartphone.

Of those with internet access, 19.3 percent ordered through the internet in 2016: 40.8 percent from local companies, 20.7 from the EU, and 58.6 percent from other areas of the world.

Consumers in Macedonia spent USD 95 million on online purchases of clothing and sports equipment (55 percent), electronic equipment (16.3 percent), and household goods (13.1 percent) in 2016.

### **Current Market Trends**

While eCommerce continues to grow, Macedonia has several barriers to eCommerce. Economic barriers include lack of purchasing power and under-developed financial systems to support eCommerce. Many local consumers and businesspeople have poor ICT literacy and lack knowledge of eCommerce. Consumers still prefer face-to-face interactions and cash payments. The legal and regulatory framework is not fully up to date.

### **Domestic eCommerce (B2C)**

Domestic eCommerce is still relatively underdeveloped. The share of individuals shopping online and local businesses selling online is lower than might be expected. Grouper.mk (a local version of Groupon) is the most popular domestic eCommerce site. Other local businesses selling to customers online include companies that sell event tickets, deliver groceries, and deliver carry-out restaurant meals. Customers shopping online, including through Facebook, generally pay cash upon delivery.

Media coverage of eCommerce most commonly focuses on the risk of counterfeits purchased online. There is no significant debate or communication between the business community and government bodies. Banks offer eBanking services, but there is no wider support stimulating eCommerce activities.

### **Cross-Border eCommerce**

Almost 60 percent of online purchases in 2016 were made from foreign websites, with Aliexpress.com the most popular. The users mostly ordered consumer goods such as clothes and sports equipment. For specific needs, eBay is used, although on a much smaller scale. Consumers are extremely price sensitive, and price is usually the decisive factor in purchase decisions.

### **B2B eCommerce**

B2B eCommerce is under-developed in Macedonia. Less than 10 percent of enterprises receive or place orders online. B2B eCommerce is most common in the ICT sector.

### **eCommerce Services**

The eCommerce service system is not well developed in Macedonia. Service providers include [Makedonski Telekom](#) and [Stopanska Banka](#).

### **eCommerce Intellectual Property Rights**

Unfortunately, many local consumers have low levels of digital literacy and purchase cheap fakes online believing they are genuine. Macedonia's Customs Administration is aware of the potential for intellectual property rights (IPR) infringement in eCommerce. The Customs Administration inspects packages arriving from foreign online retailers and holds IPR infringing goods. To protect consumers from fake drugs sold over the internet, since 2015 local law has prohibited the online sale of medications that are available only by prescription in Macedonia.

### **Popular eCommerce Sites**

The most popular foreign eCommerce site is AliExpress. The most popular domestic eCommerce site is Grouper.mk, an eCommerce marketplace connecting consumers with merchants.

### **Online Payment**

Macedonia lacks full access to innovative payment systems, especially for mobile commerce. Internet transactions originating in Macedonia have been blocked or restricted by several major e-commerce sites, including Amazon and e-Bay. Consumers in Macedonia may use PayPal only to send funds.

### **Mobile eCommerce**

Smartphone usage in Macedonia continues to rise. Shopping through mobile devices still lags, in part due to delays in implementing technologies to facilitate mobile eCommerce.

### **Digital Marketing**

Digital marketing is increasing. Facebook advertising is currently the most successful, due to the popularity of Facebook in Macedonia.

### **Major Buying Holidays**

Major consumer buying holidays in Macedonia are Orthodox Christmas, Orthodox Easter and Ramadan Bajram. Because of the start of traditional summer holidays period, the end of June and beginning of July are also popular among shoppers.

### **Social Media**

With over 1 million accounts, Facebook is by far the most popular social media in Macedonia. Twitter is primarily used by opinion makers. LinkedIn is most popular for professionals, but its penetration remains low. Young generations use Instagram and WhatsApp. Viber is becoming popular and is used to make phone calls and send messages.

### **Trade Promotion and Advertising**

All forms of advertising are used in Macedonia: online, television, radio, newspapers, magazines, outdoor billboards and signs, direct marketing, trade shows, and event sponsorship.

### **Broadcast Media**

Television has the broadest reach but is too expensive for many companies. Foreign companies might need to cover the cost of television commercials for their representatives in Macedonia.

In addition to state-owned broadcaster Macedonian Radio Television (MRT), which is funded largely from the national budget and government advertising, there are 14 private television stations with national coverage, five national television stations broadcasting via satellite, 27 private regional and 21 private local television stations. Cable TV is increasingly popular with growing numbers of regional stations. The most-watched national television stations are Sitel, Alsat M, Kanal 5, 24 Vesti, Telma, MRT Macedonian language TV, TV 21, and TV Shenja. There are 69 radio stations.

### **Print Media**

There are several Macedonian-language daily newspapers (Nova Makedonija, Sloboden Pecat, and Vecer) and two Albanian-language dailies (Koha and Lajm) in Macedonia. There are several specialty magazines in those languages (e.g., Fokus, Kapital, Republika, Shenja).

### **Internet**

All major broadcast and print media offer up-to-date web editions, and there are a growing number of online media outlets. Social media, especially Facebook, are increasingly popular.

Business directories include [Yellow Pages](#) and [Zlatnakniga](#).

### **Outdoor Advertising**

Most outdoor advertising is limited to billboards, buses, and large signs. There are some electronic displays in larger cities.

### **Direct Mail**

As postal service improves, direct mail advertising is slowly increasing.

### **Retail/Point-of-Sale Advertising**

Point of sale promotions are not common, but are growing in popularity. Retail stores often treat retail and/or point-of-sale 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 try 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 shows are an option for promoting consumer goods and industrial products in Macedonia. Local and foreign firms use trade fairs to build business connections and gain market visibility. A list of upcoming fairs and events appears in the appendices. An updated list can be found at [ERA](#).

### **Sponsorships and Special Promotions**

Special events offer an excellent avenue to launch new products. Because event promotion is relatively new to Macedonia, 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.

['Invest Macedonia'](#), an Agency for Foreign Investments and Export Promotion and the Agency for Promotion and Support of Tourism, ['Macedonia Timeless'](#) have been promoted for approximately eight years on CNN (Cable News Network).

### **Pricing**

According to official March 2017 data, average monthly income in Macedonia is 22,445 denars (per NBRM June 2017 middle exchange rate: USD 405). Consumers are extremely price sensitive. Imported products tend to be priced substantially higher than locally produced goods. 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 sales service and customer support are relatively undeveloped, more local businesses are attempting to provide quality service to their customers. Firms selling capital equipment and technology may wish to emphasize product quality and after sales service. Foreign companies will need to train their local distributors and agents to communicate their firms' distinctive customer service policies and standards.

## **Protecting Intellectual Property**

Macedonia's legal regime for intellectual property rights (IPR) is generally in line with international standards. Government agencies, particularly the Customs Administration, generally cooperate with rights holders; companies that proactively seek protection of their brands in Macedonia are usually satisfied with institutional responsiveness. The longest running IPR issue for U.S. companies has been the alleged under licensing of software in public institutions.

Any foreign companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

### **IP Attaché Contact**

Susan F. Wilson  
U.S. Mission to the European Union  
Boulevard du Regent 27  
BE - 1000  
Brussels, Belgium  
Telephone: 32-2-811-5308  
E-mail: [susan.wilson@trade.gov](mailto:susan.wilson@trade.gov)

## **Due Diligence**

Few companies in Macedonia have Dunn & Bradstreet or other internationally recognized business ratings. There are some credit rating agencies in the country. 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. Enforcement of contracts and court judgments remains slow. Collecting delinquent payments from customers in Macedonia is difficult and expensive due to complex collection processes and the overloaded court system.

## **Local Professional Services**

### **Legal Services**

[U.S. Embassy Skopje List of Attorneys](#)

[Lawyers Association of Republic of Macedonia](#)

E-mail: [mla@mla.org.mk](mailto:mla@mla.org.mk)

### **Accounting and Business Consulting Services**

[AAG - Analysis and Advisory Group](#)

E-mail: [aag@aag.com.mk](mailto:aag@aag.com.mk)

[Deloitte](#)

E-mail: [lnanus@deloittece.com](mailto:lnanus@deloittece.com)

[Ernst & Young](#)

E-mail: [vladimir.sokolovski@mk.ey.com](mailto:vladimir.sokolovski@mk.ey.com)

[Grant Thornton](#)

E-mail: [ruzica.filipceva@mk.gt.com](mailto:ruzica.filipceva@mk.gt.com)

[KPMG](#)

E-mail: [mk-office@kpmg.com](mailto:mk-office@kpmg.com)

[ND-Balkan](#)

E-mail: [abdylmenaf.bexheti@nd-balkan.com](mailto:abdylmenaf.bexheti@nd-balkan.com)

[PricewaterhouseCoopers \(PwC\)](#)

E-mail: [office@mk.pwc.com](mailto:office@mk.pwc.com)

### **Advertising**

[McCann Skopje](#)

E-mail: [mccann@mccann.com.mk](mailto:mccann@mccann.com.mk)

[Media Solutions](#)

E-mail: [marketing@mediasolutions.mk](mailto:marketing@mediasolutions.mk)

[New Moment](#)

E-mail: [info@newmoment.mk](mailto:info@newmoment.mk)

[Publicis Groupe](#)

E-mail: [office@publicis.com.mk](mailto:office@publicis.com.mk)

### **Principle Business Associations**

- American Chamber of Commerce in Macedonia
- Business Confederation of Macedonia
- Economic Chamber of Macedonia
- Economic Chamber of North-West Macedonia
- European Business Association
- Foreign Investors Council
- Macedonian Chambers of Commerce
- MASIT - ICT Chamber of Commerce

All of these business associations accept U.S. companies as members.

### **Limitations on Selling U.S. Products and Services**

Foreign investors can 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.

### **Web Resources**

[US Embassy in Macedonia](#)

[Macedonia Lawyers Association](#)

[Analysis and Advisory Group](#)

[Deloitte](#)

[EY Macedonia](#)

[Grant Thornton](#)

[KPMG](#)

[ND Balkan](#)

[PwC Macedonia](#)

[McCann Skopje](#)

[Media Solutions](#)

[New Moment](#)

[Publicis Macedonia](#)

[The American Chamber of Commerce in Macedonia](#)

[Business Confederation Macedonia](#)

[Economic Chamber of Macedonia](#)

OEMVP

European Business Association

Foreign Investors Council

Macedonian Chambers of Commerce

Macedonian Chamber of Information and Communication Technologies

## Leading Sectors for U.S. Exports and Investments

### Energy

#### Overview

Energy market developments in Macedonia in 2016 include further construction of an internal gas distribution network, continuation of liberalization of the electricity market, and increased regional cooperation for electricity and gas interconnections.

Macedonia's state-owned power company was unbundled and 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, eight large and several small hydro power plants with 650 MW installed capacity. The smaller thermal power plant "REK Oslomej" is not in operation and in urgent need of modernization of the obsolete equipment. On a couple of occasions in 2016, the bigger thermal power plant "REK Bitola" was out of operation for a day or two due to unexpected breakdowns. There are two open pitch lignite mines with a total capacity of 7 million tons/year and estimated deposits for the next 15 years. Despite some investments in modernization, domestic production of electricity decreased by about 25 percent in the last ten years, and electricity imports have risen to 34 percent of total consumption. The total annual production of electricity in 2016 was 5,303 GWh, which satisfied about 82 percent of the total domestic electricity 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.

From July 1, 2016, according to the government's plan for gradual liberalization of the electricity market in the period 2016 – 2020, an additional 158 legal entities joined the previous group of 271 companies, which became eligible to choose their energy supplier on the free market. There are about 20 licensed energy suppliers in the country, but only four to five of them are active. They supply electricity at free market prices to the eligible companies who have chosen that option, reducing their electricity cost by about 20-30 percent.

The government has been unable to attract investors to build three new large hydro power plants.

A natural gas transportation pipeline operated by GA-MA, the gas transmission system operator jointly owned by the government and the largest oil distributor in Macedonia Makpetrol, carries Russian gas from the Bulgarian border to Skopje. Gazprom owns the capacity within the pipeline. This pipeline currently supplies primarily industrial users in the cities of Skopje, Kumanovo, and Kriva Palanka. The government has established Macedonian Energy Resources (MER) to oversee construction of an internal gas distribution network. The government continues to show interest in building natural gas interconnections with Greece and Bulgaria 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.

#### Leading Sub-Sectors

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 small hydropower facilities.



Renewable energy generation opportunities, such as investments in electricity generation from wind and solar – thermal systems are subject to quotas. 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 also apply for tenders to construct sections of the national gas distribution network. ELEM is interested in upgrading the existing thermal power plants of “REK Oslomej” and “REK Bitola.” It is exploring the possibility of building a new 150MW thermal power plant in the eastern part of the country, where it believes there are deposits of higher-quality coal. It is also considering offering a public-private partnership for exploration of coal at two new mines in the western part of the country – Mariovo and Zhivojno. In addition, the government is looking at the possibility of extending concessions for building small-scale hydro power plants along the Vardar river running from north to south through the middle of the country.

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 would subsidize households’ purchases of cleaner wood pellet stoves for home heating.

The government has cancelled the tender for gasification of the capital of Skopje due to non-satisfactory bids. In 2017, it opened a new tender, and two additional tenders for gasification of the eastern and western part of the country. The city of Strumica already has developed a basic gas network, importing compressed gas from Bulgaria by trucks. They are also looking at different possibilities for connecting the domestic network to alternative supply sources such as TAP.

### **Web Resources**

[Ministry of Economy](#)

[Energy Agency of the Republic of Macedonia](#)

[Energy Regulatory Commission](#)

[ELEM \(State-owned Macedonia Power Plants\)](#)

[MEPSO \(State-owned Electricity Transmission System Operator of Macedonia\)](#)

[EVN Macedonia \(Electricity Distribution and Supply Company\)](#)

[GA-MA – Natural Gas Transmission System Operator](#)

[Macedonian Energy Resources](#)

[Macedonian Center for Energy Efficiency \(MACEF\)](#)

### **Transportation**

#### **Overview**

Macedonia is situated in the center of the Balkan Peninsula at the intersection of several road and railway links. 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 Sofia, Bulgaria and Skopje, Macedonia. 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.

### **Leading Sub-Sectors**

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. To date, the maintenance budget has been inadequate to keep roads in good condition. There are segments in the road network that require capacity expansion because of traffic growth. The expansion of motorway segments would provide additional opportunities.

### **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 U.S. vendors operating in the Balkan region and beyond.

Several foreign airline companies (Adria Airways, Air Serbia, Austrian Airlines, Croatia Airlines, FlyDubai, Pegasus, Swiss Air, Turkish Airlines, Wizz Air and Qatar Airways) fly into Macedonia's main airport near Skopje. Foreign carriers fly to Skopje from Vienna, Zurich, Geneva, Ljubljana, Zagreb, Belgrade, Dubai, Doha, 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**

[Public Enterprise for State Roads](#)

[Macedonian Railways](#)

[TAV – Macedonia](#)

## **Computers and Information Technology Equipment**

### **Overview**

With an annual growth rate between 2.3 and 7.7 percent over the last several years, the Information and Communication Technology (ICT) sector in Macedonia is a promising area for U.S. companies. 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 will continue to grow.

The total ICT market value in Macedonia was an estimated USD 500 million in 2016. Hardware is the largest segment (55 percent) of the ICT market in Macedonia. ICT services are the second largest segment (30 percent), and software comprises 15 percent of the ICT market. Many large 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.

### **Leading Sub-Sectors**

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: [Makedonski Telekom](#) (part of Deutsche Telekom Group through controlling owner Magyar Telekom) and [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](#)), many opportunities exist to sell products and services in this market.

## **Web Resources**

[Agency for Electronic Communications](#)

[MASIT – ICT Chamber of Commerce](#)

[Ministry of Information Society and Administration](#)

[Ministry of Transport and Communications](#)

[Agency for Audio and Audiovisual Media Services](#)

[Macedonian Academic and Research Network \(MARnet\)](#)

[Macedonian e-Society Association \(MESA\)](#)

[Metamorphosis Foundation for Internet and Society](#)

## **Construction and Building Materials**

### **Overview**

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 700 million in 2016 (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.

### **Leading Sub-Sectors**

Many major infrastructure projects are underway in Macedonia to improve connections with trading partners and increase economic growth. The World Bank and EBRD have continued to finance building new transportation infrastructure, 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 local 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 examining 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**

[Civil Engineering Institute](#)

[Agency for Real Estate Cadastre](#)

## **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, and Marriott are present in Skopje. Marriott is planning to open a second property in Skopje, a Courtyard by Marriott, in the coming years. As a newly built property, Double Tree by Hilton is planning to welcome its first guest in Skopje in late November 2017.

### **Leading Sub-Sectors**

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**

In order to attract visitors, the Value Added Tax (VAT) on tourism has been reduced from 18 percent to 5 percent. 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**

[The Ministry of Economy](#)

[The Association of hotels, restaurants, cafes and camps – HOTAM](#)

[Agency for Promotion and Support of Tourism](#)

## **Agricultural Sector**

### **Overview**

Agribusiness is one of Macedonia's most promising sectors. In 2016, agribusiness (including agriculture, forestry, and fisheries) accounted for 7.7 percent of GDP and 16.6 percent of the total number of persons employed in Macedonia.

Exports of agriculture and food products in 2016 constituted 12.25 percent of Macedonia's total exports. The top markets for agriculture and food products are the EU and Western Balkan Countries (Serbia, Kosovo, Albania, and Bosnia and Herzegovina), accounting for (approximately 82.3 percent of the total exports). The main export products from Macedonia are fresh and processed vegetables and fruits (34.8 percent of total agricultural exports), tobacco (24 percent), grains (13.5 percent), and beverages (12 percent). The main import products are meat (beef, poultry, and pork accounted for 20 percent of total agriculture imports), fruits and vegetables, grains, coffee, tea, and spices.

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 increased to 6.2 percent in 2016, primarily due to the increased exports of tobacco.

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. Most of the food-processing facilities are in private hands.

In 2014 the Government of Macedonia adopted a six-year National Strategy for Agriculture and Rural Development 2014 - 2020 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. The strategy, which is a pre-requisite for receiving EU Instrument for Pre-accession Assistance (IPA) II assistance in agriculture, also aims at improving the marketing of agricultural products and implementation of minimum quality standards according to the EU approximated Law on quality of agricultural products and respective by-laws. 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 2017 (exchange rate USD 1 = 55 MKD), and accounted for around 4.58 percent of the national budget in 2017. 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.

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.

|                          | 2014        | 2015        | 2016        | 2017 (Estimated) |
|--------------------------|-------------|-------------|-------------|------------------|
| Total Local Production   | 1.858 bl\$  | 1.581 bl\$  | n/a         | n/a              |
| Total Exports            | 642.33 ml\$ | 537.56 ml\$ | 583.86 ml\$ | n/a              |
| Total Imports            | 857.42 ml\$ | 773.82 ml\$ | 790 ml\$    | n/a              |
| Imports from the US      |             |             |             |                  |
| <b>Total Market Size</b> | 2.073 bl\$  | 1.817 bl\$  | n/a         | n/a              |
| Exchange Rates           | 46.4        | 55.5        | 55.7        | n/a              |

*(total market size = (total local production + imports) - exports)*

### Leading Sub-Sectors

**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 2016, export of bulk wine further dropped from 66 to 64 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:** In 2009, Macedonia adopted a new Law on Organic Agricultural Production, which is harmonized with EU regulations. Organic farming is an area of expected development and interest both by domestic and foreign markets. In the past three years, there was a noticeable trend of growth, both in terms of surface of the arable land certified for organic production, and the number of entities. In 2016, there were 529 registered entities in the system of organic agricultural production in the country, and they produce meat, dairy, honey, 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 five vegetable crops are potatoes, peppers, tomatoes, cabbage and melons.

*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**

U.S. food exporters should focus on establishing their business relationship with a reliable and efficient importer and distributor. It is also important to identify the appropriate distribution and sales channels.

The Government of Macedonia considers agriculture a target area for future investments, growth and development, including increased foreign direct investment. The key weaknesses of the agriculture sector are the lack of modern equipment and lack of investment into processing facilities.

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. Experts have also identified problems in waste treatment and waste disposal, hygiene, and in meeting environmental standards.

Macedonia is net importer of meat and grains.

*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. The poultry industry is focused on egg production. There is a surplus of eggs, but 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. The country imports one-third of its wheat needs annually. There is no production of soya beans; 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**

[Ministry of Agriculture, Forestry and Water Economy](#)

[Food and Veterinary Agency of Republic of Macedonia](#)

[Food and Agriculture Organization of the United Nations Macedonia country profile](#)

## Customs, Regulations and Standards

### Trade Barriers

Several 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](#) or contact freight forwarders or business consultants in Macedonia.

*For more information and help with trade barriers please contact:*

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

ECCommunications@trade.gov

### Import Tariff

Macedonia joined the World Trade Organization (WTO) in 2003. 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. As an EU aspirant, Macedonia is harmonizing its customs' laws with 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 2016, ranged from 0 – 35 percent, with an average tariff rate of 16 percent on agricultural products and 6 percent average rate on industrial products.

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. 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 at the single window portal [EXIM](#).

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.

## **Import Requirements and 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.

## **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](#)). 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](#).

## **Temporary Entry**

Products may be imported into Macedonia on a temporary basis. Information about the rules on temporary imports can be found at [Macedonia Customs Administration](#).

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.

## **Labeling and 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 and 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 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](mailto:info@customs.gov.mk)

## **Standards for Trade**

### **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:

#### *Regulatory functions:*

Ministry of Economy, acting as a coordinator;

Other Ministries for specific topic areas.

#### *Controlling functions:*

Customs Administration;

State Market Inspectorate (Consumer Product Safety Authority).

### **Testing, inspection and certification**

[Standardization Institute of the Republic of Macedonia](#)

[Bureau of Metrology](#)

[Institute for Accreditation of the Republic of Macedonia](#)

Laboratories, certification and controlling offices.

### **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](mailto:gegaa@state.gov)

### **Trade Agreements**

Macedonia became a member of the [Central European Trade Agreement \(CEFTA\)](#) in 2000. In December 2006 CEFTA expanded to include Albania, Bosnia and Herzegovina, Croatia (Note: in 2013 Croatia joined

EU and left CEFTA), 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 Macedonia's 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 Macedonia government institution, such as the Ministry of Education and Science, who then should prepare and issue a notification (recognition of a degree or credential obtained abroad).

### **Web Resources**

[Ministry of Economy](#)

[Ministry of Finance](#)

[Ministry of Internal Affairs](#)

[Macedonian Customs Authority](#)

[Secretariat for European Affairs](#)

## Investment Climate Statement

### Executive Summary

Macedonia formed a new, reform-oriented government on May 31, 2017, that committed to putting the country back on the path to EU and NATO integration. The country had been mired in a political crisis since 2015 after the release of excerpts from illegally intercepted communications suggesting high-level corruption and political interference in the judiciary, media, and economy by the now former ruling party. Although domestic private investment declined in 2016 due to political instability, foreign direct investment (FDI) increased to USD \$395 million (USD \$150 million or 60.9 percent more than in 2015). Anecdotal reports suggest much of that FDI came from companies already present in Macedonia while potential new investors postponed or cancelled investment decisions because of political uncertainty.

Macedonia's government has actively sought FDI, offering generous incentives for projects that create jobs. Many new investors are foreign auto parts companies attracted by Macedonia's competitive labor costs, proximity to European car manufacturers, and cooperative government assistance. The new government has said it will emphasize linking domestic companies to foreign investors' supply chains.

Large foreign companies operating in Technological Industrial Development Zones (TIDZs) generally report positive experiences doing business in Macedonia and good relations with government officials. However, under the previous government small investors outside the TIDZs and domestic firms alleged that then ruling party VMRO-DPMNE awarded government tenders to companies linked to the ruling party, extorted funds from companies, pressured them to hire party members, retaliated against businesses believed to be supportive of opposition political parties, and attempted to take over independent firms through government harassment and selective withholding of payments for government contracts. The new government has vowed to end political interference in the private sector and free businesses from political pressure and repression.

Macedonia's legal framework for foreign investors is generally in line with international standards. Foreign entities generally receive national treatment, i.e., Macedonia extends to foreign investors treatment that is at least as favorable as the treatment that it accords to national investors in like circumstances. However, under the former government domestic and foreign companies expressed concerns about a lack of legal stability, predictability, and rule of law. Laws governing business activity were frequently changed, often without consultation with the business community, and the legal changes retroactively applied. The judicial system was inefficient and subject to political interference and remains subject to the entrenched capture by the former ruling party. Corruption was widespread and largely went unpunished. The new government has pledged to reinstitute transparency and rule of law, though this will take time and they will need to overcome the deep-seated culture of state capture by each successive ruling party.

The 2017 World Bank's Doing Business Report ranked Macedonia the 10<sup>th</sup> best place in the world for doing business, up six spots from the year before. Fitch affirmed Macedonia's BB credit rating with a negative outlook, and S&P affirmed its credit rating of the country at BB- with a stable outlook. Transparency International ranked Macedonia 90<sup>th</sup> out of 176 countries in its Corruption Perception index, down 24 spots from the prior year.

Table 1

| Measure                         | Year | Index/Rank | Website Address                            |
|---------------------------------|------|------------|--|
| TI Corruption Perceptions Index | 2016 | 90 of 176  | <a href="#">Transparency International</a> |

|   |      |             |     |   |
|---|------|-------------|-----|---|
| World Bank's Doing Business Report "Ease of Doing Business" | 2017 | 10 of 190   |     | <a href="#">The World Bank</a>              |
| Global Innovation Index                                     | 2016 | 58 of 128   |     | <a href="#">The Global Innovation Index</a> |
| U.S. FDI in partner country (\$M USD, stock positions)      | 2015 | USD million | 103 | <a href="#">Bureau of Economic Analysis</a> |
| World Bank GNI per capita                                   | 2015 | USD 5,140   |     | <a href="#">The World Bank</a>              |

### **Openness To, and Restrictions Upon Foreign Investment Policies Towards Foreign Direct Investment**

As a small, land-locked Balkan country, Macedonia is heavily dependent on FDI for employment and growth, and therefore welcomes foreign investors who can provide substantial numbers of jobs. Legislation puts foreign and domestic companies on roughly equal footing, and Macedonia consistently provides national treatment to foreign investors. The government also provides numerous incentives, such as tax breaks and subsidies, to attract foreign investment; many citizens believe that large foreign investors receive better treatment than domestic firms. Under the previous government, incentive packages for foreign investors were not disclosed to Parliament or the public. The new government has promised to live up to past contracts while instituting transparent policies for attracting FDI. Macedonia has adopted multilateral conventions protecting foreign investors and concluded a few bilateral investment protection treaties, but none with the United States.

Multiple ministers and agencies promote Macedonia as an investment destination. [Invest Macedonia](#), the Agency for Foreign Investments and Export Promotion of the Republic of Macedonia, is the primary government institution in charge of facilitating foreign investments in the country. The Directorate for Macedonia's [TIDZs](#), also assists foreign investors interested in operating in the free economic zones throughout the country.

The government maintains an ongoing dialogue with large foreign investors through frequent meetings and polls to solicit feedback. Large foreign investors can also directly contact government leaders for assistance in resolving issues. [The Foreign Investors Council](#), articulates foreign investors' views and suggests ways to further improve the business climate, but has not been invited as an association to join Macedonia's Economic-Social Council.

### **Limits on Foreign Control and 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.

The government institution in charge of attracting new foreign investments in country, Invest Macedonia, screens and conducts due diligence of foreign direct investments in a non-public procedure. The main purpose of the screening is to ensure economic benefit for the country and national security; the process does not appear to disadvantage foreign investors. More information about the screening process is available directly from [Invest Macedonia](#).

### **Other Investment Policy Reviews**

In January 2014, the World Trade Organization (WTO) published a revision of its first, and so far only, review of the trade policies and practices of Macedonia. The reports of the WTO Secretariat and Macedonia's government are [available](#). There is no Organization for Economic Co-operation and Development (OECD) investment policy review available on Macedonia. The most recent United Nations Conference on Trade and Development (UNCTAD) investment policy review on Macedonia, from March 2012, is [available](#). The International Monetary Fund (IMF), World Bank, and a few local civil society organizations have assessed aspects of the government's policies for attracting foreign investment. The new government said it will publish a detailed cost-benefit analysis of foreign investments and gains made in the past, especially those benefiting from state support.

### **Business Facilitation**

All legal entities in the country must register with the Central Registry of Macedonia. 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](#). Applications must be submitted by an authorized registration agent. The online business registration process is clear and complete and available for use by foreign companies.

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 Central Registry's [website](#).

### **Outward Investment**

The government does not restrict domestic investors from investing abroad, but it does not promote or provide incentives for outward investments. Outward investments are small, amounting to only USD \$5 million in 2016, most which were to neighboring countries.

### **Bilateral Investment Agreements and Taxation Treaties**

Macedonia does not have a bilateral investment or double taxation treaty with the United States.

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

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, Bosnia and Herzegovina, Moldova, Montenegro, Serbia, and Kosovo.

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

## **Legal Regime**

### **Transparency of the Regulatory System**

Most regulations relevant for foreign businesses are adopted on the national, rather than local, level. The Government of Macedonia has attempted to simplify regulations and procedures for large foreign investors in special free economic zones. However, Macedonia's overall regulatory environment lacks transparency and remains complex. Frequent regulatory and legislative changes and inconsistent interpretations of the rules create an unpredictable business environment that facilitates corruption and use of inspections for political purposes.

Businesses, the public, and NGOs play a limited role in the legislative and regulatory process. Under the last government, most laws were passed in Parliament in an expedited procedure without public consultation. The government seldom posted draft laws or regulations for public comment on the Unique National Electronic Register of Regulations (ENER), an online platform intended to facilitate public participation in policymaking. Even when the government made proposed legislation available on ENER, companies found the comment period too short for adequate review. Businesses and chambers of commerce reported the government censored (i.e., did not make public) certain comments submitted through ENER and did not respond to their feedback.

The new government has promised to regularly communicate and consult with the business community and other stakeholders before amending and adopting legislation. It has pledged to use ENER, increase the minimum comment period from 20 to 30 days, minimize the use of short parliamentary procedures in lawmaking, and include a phase-in period for legal changes to allow enterprises to adapt. Key institutions influencing the business climate will start publishing official and legally-binding instructions for implementation of laws pertaining to their area. They will be obliged to publish all relevant laws, by-laws, and internal procedures on their webpages. Inspection services will not be used as instruments of reprisal or political pressure. The government will establish a public registry of inspection controls carried out by state bodies.

The European Union's November 2016 report on Macedonia notes the country needs to improve its capacity for evidence-based policy and legislative development. Government agencies are supposed to conduct regulatory impact assessments for proposed new laws and regulations; in practice these were of poor quality or nonexistent. Financial impact assessments were seldom prepared. The new government stated it will reform the regulatory impact assessment mechanism and ensure participation of the business community and other stakeholders.

Macedonia accepts International Accounting Standards, which are transparent and consistent with international norms. However, Macedonia has not yet aligned its national law with EU directives on corporate accounting and auditing.

### **International Regulatory Considerations**

Macedonia is not a part of any regional economic block. As a candidate country for accession to the European Union, it should harmonize its legal and regulatory system with EU standards. As a member of

the WTO, Macedonia regularly notifies the WTO Committee on Technical Barriers to Trade of proposed amendments to technical regulations concerning trade.

### **Legal System and Judicial Independence**

Under the previous ruling party, numerous international reports cited the Government of Macedonia's failure to fully respect the rule of law as well as the selective administration of justice. Political interference, inefficiency, favoritism toward well-placed persons, prolonged processes, and corruption characterized the country's judicial system. Enforcing contracts and resolving commercial disputes in Macedonia's court system was time-consuming, costly, and subject to political pressures. The new government formed on May 31, 2017, committed to promote the rule of law and establish independent, professional institutions that implement laws in an unbiased and non-discriminatory way. It will need time to reform the judiciary and remove the impacts of long-entrenched political pressure and influence that are deeply seated in Macedonia's political culture.

Macedonia's legal system is based on civil law. The country has written commercial law and contract law. There are specialized court departments which handle commercial and contractual disputes between legal entities. Contracts are legally enforced by civil and administrative court rulings. Enforcement actions are appealable and adjudicated in the national court system. Cases involving international elements may be taken for review before international arbitration.

In July 2015, Macedonia's Parliament, without allowing public comment, introduced obligatory mediation in disputes between companies up to EUR 15,000 (USD \$ 16,871) in value as a precondition for going to court. Companies complain the measure, which went into effect February 1, 2016, imposes additional costs and protracts enforcement of contracts.

### **Laws and Regulations on Foreign Direct Investment**

The Constitution of the Republic of Macedonia guarantees an equal position for all entities in the market and provides for the free transfer and repatriation of investment capital and profits by foreign investors. Under Macedonia's 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, nor a "one-stop-shop" website that provides all relevant laws, rules, procedures, and reporting requirements for investors. 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. An unofficial English language version of the consolidated Law on Technological Industrial Development Zones (free economic zones) is available at the following link: [Law on Technological Industrial Development Zones](#).

#### *The Trade Companies Law*

This is the [primary law](#) regulating business activity in Macedonia. 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 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*

The Law on Investment Funds 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 (USD \$2,249,500). 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 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](#) 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. 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 to public health institutions, public companies, state-owned companies, companies owned by local governments, and other public sector institutions started January 1, 2016. Late payments by state entities to the private sector have contributed significantly to liquidity problems in the country.

### **Competition and Anti-Trust Laws**

The [Commission for Protection of Competition \(CPC\)](#) is responsible for enforcing the Law on Protection of Competition. The CPC issues opinions on draft legislation that may impact competition. The CPC reviews the impact on competition of proposed mergers, and can prohibit a merger or approve it with or without conditions.

The CPC also reviews proposed state aid to private businesses, including foreign investors, under the Law on Control of State Aid (Official Gazette 145/10) and the Law on State Aid (Official Gazette 24/03). The CPC determines whether the state aid gives economic advantage to the recipient, is selective, and adversely influences competition and trade.

### **Expropriation and Compensation**

According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 95/12, 131/12, 24/13, and 27/14), property under 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 spatial planning acts. The law also lists in detail specific activities considered to be of public interest. There are instances of expropriation for reasons of public interest. The process is conducted according to the regulated procedure and claimants are compensated at the time of expropriation. 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.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

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

#### *Investor-State Dispute Settlement*

Macedonia accepts binding international arbitration in disputes with foreign investors. So far, the country has been involved in three reported investor-state disputes brought in front of international arbitral panels. None of those cases involved U.S. citizens or companies. Local courts recognize and enforce foreign arbitral awards issued against the Government of Macedonia. The country does not have a history of extrajudicial action against foreign investors.

### *International Commercial Arbitration and Foreign Courts*

Macedonia accepts international arbitration on investment disputes. The country's Law on International Commercial Arbitration is modeled on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. Local courts recognize and enforce foreign arbitral awards and the judgments of foreign courts.

Alternative dispute resolution mechanisms are available for settling disputes between two private parties but seldom utilized. A Permanent Court of Arbitration, established in 1993 within the Economic Chamber of Macedonia (a non-government business association), has the authority to administer both domestic and international disputes. Since February 1, 2016 Macedonia has required mediation in disputes between companies up to EUR 15,000 (USD \$16,871) in value before companies can go to court.

### **Bankruptcy Regulations**

Macedonia's bankruptcy law governs the settlement of creditors' claims against insolvent debtors. 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.

The World Bank's Doing Business Report for 2017 ranks Macedonia 32<sup>nd</sup> out of 190 countries for ease of resolving insolvency.

### **Industrial Policies**

#### **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. The following additional benefits are also available to foreign investors: 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 EUR 500,000 (USD \$562,375).

#### **Foreign Trade Zones/Free Ports/Trade Facilitation**

Macedonia currently has 15 free economic zones in various stages of development throughout the country. The Directorate for [Technological Industrial Development Zones \(TIDZ\)](#) is responsible for developing and supervising 14 of them, including two fully operational TIDZ in the capital (Skopje 1 and 2) and one in Stip (the largest town in eastern Macedonia). The Tetovo TIDZ is a public-private partnership; a privately-owned company responsible for its development and operation. U.S. companies operate in TIDZs throughout Macedonia: Cap-Con Automotive Technologies, Delphi Automotive, Kemet, Key Safety Systems (Kichevo), Gentherm (Prilep), Lear (Tetovo), and Adient (Stip and Strumica).

#### **Performance and Data Localization Requirements**

Macedonia does not impose any performance requirements (such as mandating local employment or domestic content in goods or technology) as a condition for establishing, maintaining, or expanding an investment.

Foreign investors in the special free economic zones may employ staff from any country. Many companies temporarily assign existing employees from other foreign operations to start their branches in Macedonia. In 2016 the Government of Macedonia simplified the procedure for expatriates to obtain permission to live and work in the country.

There is no discriminatory export or import policy affecting foreign investors. Almost 96 percent of total foreign trade is unrestricted. Current tariffs and other customs-related information are published on the website of the [Customs Administration](#).

Macedonia does not impose a forced localization policy for data. The government does not prevent or unduly impede companies from freely transmitting customer or other business-related data outside the country. Post is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to encryption.

## **Protection of Property Rights**

### **Real Property**

While the legal basis for the protection of ownership of both movable and real property exists, implementation remains inconsistent. 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 continues 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. One hundred percent of real estate and over 91 percent of land ownership are registered.

Land lease or acquisition by foreign and/or non-resident investors is regulated by the Law on Ownership and Other Real Rights. EU and OECD residents have the same rights as local residents in lease or acquisition of construction land or property, whereas non-EU and non-OECD residents regulate their property ownership under the terms of reciprocity. Foreign residents cannot acquire agricultural land in Macedonia.

Foreign investors may acquire property rights for buildings and for other immovable assets to be used for their business activities, as well as full ownership rights over construction land through a locally registered company. If the property is expropriated or restricted in cases where the property affects the general welfare of the public, rightful compensation of its market value is guaranteed. If the foreign company registers a local company, it can acquire land with full ownership rights similar to a domestic company.

The World Bank's 2017 Doing Business Report ranks Macedonia 48<sup>th</sup> out of 190 for the ease of registering property.

### **Intellectual Property Rights**

As an EU candidate country, Macedonia is obliged to harmonize its intellectual property rights (IPR) laws and regulations with EU standards and to demonstrate adequate enforcement of those laws. The European Commission's November 2016 report on Macedonia assessed the country's legislative framework has a sufficient level of alignment with the *acquis* – except for copyrights, where the regulation of collective management organizations requires further improvement. The report recommended Macedonia step up efforts to investigate and prosecute infringements of intellectual property, reinforce capacity and coordination among the authorities in charge of implementing the intellectual property laws, and improve consultation of stakeholders when drafting legislation.

Responsibility for IPR is disbursed among numerous institutions. The State Office of Industrial Property governs patents, trademarks, service marks, designs, models, and samples. A very small unit within the Ministry of Culture administers the protection of authors' rights and other related rights (e.g., music, film, television, etc.). The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods. The Ministry of Interior is responsible for IPR-related crimes committed on the Internet. The Customs Administration has the right to seize suspect goods to prevent

their distribution pending confirmation from the rights holder of the authenticity of the goods. The National Coordinative Body for Intellectual Property periodically organizes inter-agency raids to seize counterfeit products, but usually focuses on small sellers in open-air markets.

Companies that proactively seek protection of their brands in Macedonia are generally satisfied with institutional responsiveness. However, rights holders are required to cover costs for storage and destruction of seized counterfeited goods, except for a yearly activity of the Coordinative Body for Intellectual Property for World IPR Day.

While Macedonia has most necessary IPR laws in place, protection of IPR by the court system could be improved. Prosecutors and judges in both civil and criminal cases, while more aware of IPR, still lack adequate experience due to the small number of IPR cases every year and lack of specialized courts to handle IPR cases. Many rights holders do not pursue legal action, as IPR infringers usually lack the financial resources to pay damages. Courts reportedly are reluctant to find accused infringers of IPR guilty due to the criminalization of counterfeiting and stiff mandatory minimum sentences for small distributors of counterfeit goods. The penalties for IPR infringement range from 30 to 60 days closure of businesses, monetary fines of up to EUR 5,000, (USD \$5,624) or a prison sentence of up to five years.

Macedonia does not track and report cumulative statistics on IPR infringement or seizures of counterfeit goods. Nevertheless, the Customs Administration reports on the number of goods that are seized based on reasonable doubts that they violate intellectual property rights.

Macedonia is not listed in the U.S. Trade Representative's Special 301 Report or the Notorious Market Report.

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 Federative Republic of Yugoslavia, Macedonia is a party to international conventions and agreements that the former Yugoslavia signed prior to Macedonia's independence. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's [country profiles](#).

### **Resources for Rights Holders**

[U.S. Embassy Skopje List of Attorneys](#)

Lawyers Association of the Republic of Macedonia

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## **Financial Sector**

### **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 dropping by 2.4 percent in 2015, market capitalization in 2016 increased by 12.5 percent to USD \$2.1 billion. The main index, MBI10, increased by 16.5 percent, reaching 2,135 points at year-end. Foreign portfolio investors accounted for an averaged 17.7 percent of total MSE turnover, 1.1 percentage points less than in 2015. The authorities do not discriminate against foreign portfolio investments in any way.

There is an effective regulatory system for portfolio investments, and 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 2016, the total number of listed companies was 121, six more than a year ago, and total turnover jumped up by 13.6 percent. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there are greater transparency requirements. Still, overall liquidity of the market is modest for trading with sizeable positions.

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. 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.

In 2014, the MSE together with the stock exchanges of Croatia and Bulgaria established a regional platform based in Skopje, called SEE Link, for trading with securities of companies listed at all three stock exchanges. The platform became operational in spring 2016 and by the end of 2016 the stock exchanges of Slovenia and Serbia joined that platform, increasing the number of listed companies to over 500.

There are no legal barriers to the free flow of financial resources and portfolio investments. The Central Bank respects IMF Article VIII and does not impose restrictions on payments and transfers for current international transactions. Credit is allocated on market terms, and is available under equal conditions to domestic and foreign companies. The private sector can access all credit facilities offered at the market, based on a standard assessment of individual eligibility for each business.

### **Money and Banking System**

According to a September 2016 report by the International Monetary Fund, Macedonia's banking sector is healthy, well-capitalized, and profitable.

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 58.7 percent of the banking sector's total assets of about USD 7.6 billion, and collecting 70.7 percent of total households' deposits. At the same time, the 10 smallest banks have individual shares in total assets of less than five percent. In 2016, foreign capital remained 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 the third quarter of 2016 (latest available data) was 69.9 percent, which is a 1.1 percentage points higher than a year ago.

The banking sector's non-performing loans ratio dropped to 7.5 percent in 2016, primarily due to NBRM's regulation that allowed banks to write off non-performing loans that had been fully provisioned for over two years. That also helped to increase banking sector profitability. Total profits at the end of the third quarter of 2016 (latest available data) reached USD 89 million, which was 34 percent higher than the previous year. Also, the two most important profitability indicators, ROA (Return on Assets) and ROE (Return on Equity) reached 1.6 percent and 13.9 percent, respectively, which is an increase of 0.3 and 2.8 percentage points, respectively.

Banks' liquid assets at the end of the third quarter of 2016 were 29.7 percent of total assets, which is two percentage points lower compared to the same period of 2015, but remains comfortably high. In 2016 NBRM conducted different stress-test scenarios on banking sector sensitivity to increased credit risk, liquidity shocks, and insolvency shocks, all of which showed that the banking sector is healthy and resilient to such shocks, with capital adequacy ratio remaining well above the legally required minimum of eight percent in all scenarios. Actual capital adequacy ratio of the banking sector remained strong at 15.7 percent, and none of the individual banks had a ratio below 10 percent. The banking sector withstood the speculative withdrawal of about USD \$220 million of deposits in March/April 2016; the NBRM managed the crisis by tightening monetary policy and raising the reference interest rate (interest rate on 28-day Central Bank bills) from 3.25 to 4 percent. By the end of 2016, monetary policy started to relax again, with the main reference rate dropping most recently to the level before the small crisis – 3.25 percent.

The intermediation rate (measured as total assets/GDP) in 2016 was 73.1 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 2016 was only 0.9 percent, mainly due to a 7 percent credit growth to households, while credit to enterprises dropped by 3.7 percent. The weighted average lending rate of the banking system in 2016 was 6.4 percent, while the deposit rate was 1.8 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. 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 2016. 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.

The banking sector had not lost any correspondent banking relationships in the past three years, and there are no indications of any current correspondent banking relationships being in jeopardy.

## **Foreign Exchange and Remittances**

### *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 NBRM 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.

Parallel foreign exchange markets do not exist in Macedonia, largely due to the long-term stability of the Denar. The NBRM has successfully pegged the Denar to the Euro and has kept inflation low.

#### *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. In 2016, there were no changes or plans to change investment remittance policies.

There are no legal limitations on private financial transfers to and from Macedonia. In fact, remittances from workers in the diaspora represent a significant source of income for Macedonia's households. To a much lesser extent, remittances go out of Macedonia. In 2016 net private transfers amounted to USD \$1.6 billion, accounting for 15.8 percent of GDP.

#### **Sovereign Wealth Funds**

Macedonia does not have a sovereign wealth fund.

#### **State-Owned Enterprises**

There are State Owned Enterprises (SOEs) operating in several sectors including energy and 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, in which the central government is the dominant owner, while the 81 local governments also own local public utility enterprises. There is no published list or register of all SOEs in the country. SOEs are governed by boards of directors consisting of members appointed by the government. All SOEs are subject to the same tax policies as private sector companies. SOEs can purchase or supply goods or services from the private sector and are not afforded material advantages such as preferential access to land and raw materials. A 2016 report by Transparency International Macedonia commented that "policy decisions related to SOEs often comply with the political needs of the ruling political establishment, such as needs for employment rather than with the actual needs of the SOEs." Macedonia is not a signatory to the OECD Guidelines on Corporate Governance for SOEs and has observer status in the Government Procurement Agreement (GPA) within the WTO.

#### **Privatization Program**

Macedonia's privatization process is almost complete and private capital is dominant in the market. The government is trying to sell two remaining loss-making companies through international tenders. Foreign investors can 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.

#### **Responsible Business Conduct**

Responsible business conduct is a nascent concept in Macedonia. The American Chamber of Commerce in Macedonia has a committee on [Community Engagement and Responsible Business Conduct](#), organizes seminars on relevant topics, and maintains an online database of corporate social responsibility activities carried out by over 200 companies in 2015-2016. Macedonia does not participate in the Extractive Industries Transparency Initiative.

#### **Corruption**

Macedonia has laws intended to counter bribery, abuse of official position, and conflicts-of-interest; government officials and their close relatives are legally required to disclose their income and assets.

However, enforcement of anti-corruption laws has been weak and selective, mainly targeting government critics and low-level offenders. The government's dominant role in the economy and ambiguous, often contradictory, and fast-changing business legislation has facilitated corruption. There have been credible allegations of corruption in public procurement, law enforcement, the judiciary, and many other sectors. The [State Commission for Prevention of Corruption](#), established in 2002 to prevent corruption and conflicts of interest, is ineffectual and highly politicized. The Special Prosecutor's Office (SPO) was established in 2015 to investigate cases linked to the wiretapping scandal, including alleged corruption in public tenders. Transparency International ranked Macedonia 90th out of 176 countries on the 2016 Corruption Perception Index. The new government formed on May 31, 2017, vowed to combat corruption and abuse of power, reform public procurement to eliminate pre-arranged tenders for favored companies, and depoliticize state institutions.

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 government does not require private companies to establish internal codes of conduct prohibiting bribery of public officials, but it does not discourage private companies from doing so. Better organized businesses have codes of conduct, internal controls, and compliance programs to prohibit, prevent, and detect corrupt behavior. Several NGOs focus on anti-corruption; the government does not provide any special protections to NGOs involved in investigating corruption.

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

Macedonia has ratified the UN Convention against Corruption and the UN Convention against Transnational Organized Crime and 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 - Tasevska

Public Relations

Dame Gruev 1

1000 Skopje, Macedonia

+389 2 321 5377

[dksk@dksk.org.mk](mailto:dksk@dksk.org.mk)

[a.andonova@dksk.org.mk](mailto:a.andonova@dksk.org.mk)

Public Prosecution Office for Fighting Organized Crime and Corruption

Mr. Zlatko Bikovski

Acting Chief

Boulevard Krste Misirkov BB, Sudska Palata

1000 Skopje, Macedonia

+389 2 321 9884

[zbikovski@zjorm.org.mk](mailto:zbikovski@zjorm.org.mk)

Ministry of Interior

Organized Crime and Corruption Department

Dimce Mircev bb



1000 Skopje, Macedonia  
+ 389 2 314 3150

Transparency International – Macedonia  
Ms. Slagjana Taseva  
President  
Naum Naumovski Borce 58  
P.O. Box 270  
1000 Skopje, Macedonia  
+389 2 321 7000  
[info@transparency.mk](mailto:info@transparency.mk)

### **Political and Security Environment**

Macedonia generally has been free from political violence for the past decade. However, interethnic and inter-religious relations remain strained. Public protests, demonstrations, and strikes occur sporadically in Macedonia, often resulting in disruptions, particularly near the center of Skopje. Protests have occasionally devolved into localized violent incidents. There is no widespread anti-American or anti-Western sentiment in Macedonia. There have been no incidents in recent years involving politically-motivated damage to projects or installations. Violent crime against U.S. citizens is rare. Theft and other petty street crimes do occur, particularly in areas where tourists and foreigners congregate.

### **Labor Policies and Practices**

Foreign investors, especially those in labor-intensive industries, find Macedonia's competitive labor costs and high number of English speakers attractive. The average net wage in 2016 was USD \$400 per month, but reportedly about 60 percent of workers receive wages lower than that average. The minimum wage in 2017 is 10,080 MKD (USD \$183) per month except for the textile and leather industry, where the minimum wage for 2017 is 9,590 MKD (USD \$174) per month. The new government has committed to raise the minimum wage to MKD 12,000 (USD \$218) in all industries within the first year of its mandate, and to MKD 16,000 (USD \$290) by the end of its mandate.

As of March 2017, Macedonia's labor force consisted of 952,644 people; 734,043 people (43.7 percent) were employed and 218,601 (22.9 percent) were unemployed. Employment and unemployment ratios by gender are similar to the ratio of the active labor force, i.e., roughly 61 percent male and 39 percent female. The unemployment rate for youth (15 to 24 year olds) was 44.4 percent, down by 2.9 percentage points from the end of 2016. About 20 percent of the unemployed have university-level education; the rest have only completed a secondary school or lesser level of education.

Despite the relatively high unemployment rate, foreign investors sometimes report difficulties in recruiting and retaining workers. Positions requiring technical and specialized skills can be especially difficult to fill due to a mismatch between industry needs, the educational system, and graduates' aspirations. Many well-trained professionals with marketable skills, such as IT specialists, choose to work outside Macedonia. To address shortages of factory workers, the government encourages the dispersal of labor-intensive manufacturing investments to different parts of the country and companies often bus in workers from other areas. Migrant workers have bypassed Macedonia for higher wages and better opportunities in more affluent Western European economies.

Relations between employees and employers are generally regulated by individual employment contracts, collective agreements, and labor legislation. The Law on Working Relations 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 Working Relations and the Law on Employment and Insurance in cases of unemployment. Most labor-related laws are in line with

international labor standards, and generally 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 employment and work of foreigners. There is no limitation on the number of employed foreign nationals or the duration of their stay. Work permits are required for foreign nationals, and an employment contract must be signed upon hiring. The employment contract, which must be in writing and kept on the work premises, should address the following provisions: description of the employee's duties, duration of the contract (finite or indefinite), effective and termination dates, location of the work place, hours of work, rest and vacation periods, qualifications and training, and salary and pay schedule. Many international businesses report that the process of obtaining visas and work permits can be challenging.

The law establishes a 40-hour workweek with a minimum 24-hour rest period, paid vacation of 20 to 26 workdays, and sick leave benefits. Employees may not legally work more than an average of eight hours of overtime per week over a three-month period or 190 hours per year. According to the collective agreement for the private sector between employers and unions, employees in the private sector have a right to overtime pay at 135 percent of their regular rate. In addition, the law entitles employees who work more than 150 hours of overtime per year to a bonus of one month's salary. Although the government sets occupational safety and health standards for employers, those standards are not enforced in the informal sector, which accounted for an estimated 22 percent of the employed.

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. Although legally permitted, there are no unions in the factories operating in the free economic zones. Most unions, except for a few branch unions, are generally not independent of the influence of the government officials, political parties, and employers.

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 to both employers and employees and reviews amendments to labor-related laws.

There are two main agreements for the public and private sectors on the national level. National collective agreements in the private sector are negotiated between representative labor unions and representative employer associations. The national collective agreement for the public sector is negotiated between the Ministry of Labor and Social Policy and labor unions; currently the government and unions have still not agreed on a collective agreement for the public sector. Separate contracts are negotiated by union branches at the industry or company level.

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

## **OPIC**

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 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.

### Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

| Economic Data  | Host Country Statistical source* |          | USG or international statistical source |          | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|--|----------------------------------|----------|---|----------|--|
|  | Year                             | Amount   | Year                                    | Amount   |  |
| Host Country Gross Domestic Product (GDP) (\$M USD)                | 2016                             | \$10,409 | 2015                                    | \$10,086 | <a href="#">The World Bank</a>   |
| Foreign Direct Investment  | Host Country Statistical source* |          | USG or international statistical source |          | USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other |
| U.S. FDI in partner country (\$M USD, stock positions)             | 2016                             | \$83.8   | 2015                                    | \$103    |  |
| Host country's FDI in the United States (\$M USD, stock positions) | 2016                             | \$1.1    | 2015                                    | \$1      | <a href="#">BEA</a> data available 3/10/17                             |
| Total inbound stock of FDI as % host GDP                           | 2016                             | 3.8      | 2016                                    | \$1.7    | IMF estimate   |

\* Source: State Statistical Office (data on GDP); National Bank of the Republic of Macedonia (data on FDI). Data is publicly available online, and is published immediately upon processing (usually with a lag of one quarter).

Table 3: Sources and Destination of FDI

### Direct Investment from/in Counterpart Economy Data

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

| Inward Direct Investment |       |       | Outward Direct Investment |     |       |
|--------------------------|-------|-------|---------------------------|-----|-------|
| Total Inward             | 4,808 | 100%  | Total Outward             | 113 | 100%  |
| Netherlands              | 1,049 | 21.8% | Serbia                    | 70  | 61.9% |
| Austria                  | 573   | 11.9% | Netherlands               | 21  | 18.6% |
| Greece                   | 521   | 10.8% | Bosnia & Herzegovina      | 20  | 17.7% |
| Slovenia                 | 410   | 8.5%  | Slovenia                  | 10  | 8.8%  |
| Hungary                  | 247   | 5.1%  | Albania                   | 8   | 7.1%  |

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

The results from the International Monetary Fund (IMF) on inward direct investment presented in Table 3 differ from the data provided by the NBRM due to different means of determining the country of origin of investments. The IMF tends to provide credit investment to the countries that invest directly, 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 fourth largest source of FDI in Macedonia with USD \$424 million (7.8 percent of the total). According to the NBRM, as of end-2016 the largest source of inward FDI is Austria with USD \$685 million (12.6 percent of total investments), followed by Slovenia with USD \$524 million (9.7 percent), and Germany with USD \$520 million (9.6 percent).

*Table 4: Sources of Portfolio Investment*

Portfolio investment data is not available for Macedonia.

**Portfolio Investment Assets**

**Top Five Partners (Millions, US Dollars)**

| Total         |        |      | Equity Securities |        |      | Total Debt Securities |        |      |
|---------------|--------|------|-------------------|--------|------|-----------------------|--------|------|
| All Countries | Amount | 100% | All Countries     | Amount | 100% | All Countries         | Amount | 100% |
| N/A           | N/A    | N/A  | N/A               | N/A    | N/A  | N/A                   | N/A    | N/A  |
| N/A           | N/A    | N/A  | N/A               | N/A    | N/A  | N/A                   | N/A    | N/A  |
| N/A           | N/A    | N/A  | N/A               | N/A    | N/A  | N/A                   | N/A    | N/A  |
| N/A           | N/A    | N/A  | N/A               | N/A    | N/A  | N/A                   | N/A    | N/A  |
| N/A           | N/A    | N/A  | N/A               | N/A    | N/A  | N/A                   | N/A    | N/A  |

**Contact Information**

Arben Gega  
Commercial Specialist  
U.S. Embassy – Skopje  
Samoilova 21  
1000 Skopje, Macedonia  
Tel: +389 2 310 2403  
E-mail: [gegaa@state.gov](mailto:gegaa@state.gov)

## **Trade and Project Financing**

### **Methods of Payment**

Standard international methods of payment are used in Macedonia. For shipments of goods advance payment is the most commonly used method; credit terms are usually used in long-established relations with known customers. Credit is allocated on market terms and usually ranges from 30 to 90. Letters of credit and bills of exchange are used in shipment payments. As with any international transaction around the world, the method of payment is determined by the degree of trust in the buyer's ability and willingness to pay. Full payment in advance is highly recommended for the first few transactions and deliveries while the importer is still unknown.

The debt collection process is time-consuming, expensive, and complex. There are a number of collection agencies. A creditor may choose to sue the debtor in court; if the court rules in favor of the creditor, the creditor may engage a licensed enforcement agent to collect its due receivables.

### **Banking Systems**

The financial system in Macedonia consists of the National Bank of the Republic of Macedonia (NBRM), 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. NBRM 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 monetary policy and foreign exchange policy. The Supervision Department at NBRM serves as the main regulatory body responsible for the supervision of all banking institutions and savings houses.

The main goal of NBRM's monetary policy 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. NBRM prepares monetary and foreign exchange projections and reports, which are publicly available.

The banking system in Macedonia consists of 14 private banks, one state-owned bank (Macedonian Bank for Development Promotion), and three savings houses. 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 a branch or a representative office. Changes in the Banking Law in 2013 allowed savings houses 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, which, according to legislation, did not receive deposits, and are subject to supervision by the Ministry of Finance. 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.

The three largest banks, Komercijalna Banka, Stopanska Banka Skopje, and NLB Bank, hold 58.2 percent of the total assets, and account for 72.7 percent of the total financial results of the banking sector. Nine banks have less than five percent each of total banking assets, while their cumulative share does not exceed 20 percent. The savings houses' share in total assets of deposit-taking institutions in 2016 was unchanged at 0.6 percent, while their share in total loans was 0.7 percent.

In 2016, total deposits increased by 5.4 percent, growing 1.3 percent less than in 2015. Total loans to enterprises and households were 0.9 percent higher on annual basis, mostly due to higher consumer loans to households by 7 percent, while loans to enterprises dropped by 3.7 percent. Banks' liquidity ratio (liquid assets/total assets) remained high despite the slight drop from 31.4 percent to 30.9 percent. The structure of liquid assets remained the same, as banks tend to keep most of their liquidity safe by purchasing treasury

bills and bonds, Central Bank bills, or keeping accounts abroad. The capital adequacy ratio of the banking sector in 2016 was 15.2 percent, and the non-performing loans ratio was 6.6 percent, 4.2 percentage points less than in 2015, mostly because of the NBRM's regulation allowing banks in June to write-off non-performing loans fully provisioned for over two years.

NBRM regularly conducts stress tests of the banking system, and no major weakness were detected in 2016. Banking supervision has fully shifted to comply with the new BASEL 2 recommendations, and NBRM is currently implementing provisions of BASEL 3 standards.

In 2016, foreign capital was dominant in 11 banks, while decreasing its share in the total shareholders' capital of the banking system by 5.4 percentage points to 69.4 percent. The market share of banks with foreign ownership in 2016 increased by 0.8 percentage points, reaching 69.9 percent. In 2016, banks with dominant foreign ownership accounted for 84.3 percent of the total financial results of the banking system.

In 2016, total assets of Macedonia's banking sector reached USD 8 billion, 5 percent more compared to 2015. All but two smaller banks were profitable in 2016, and the banking sector's overall profitability reached USD 114 million, which is a significant increase of 36.3 percent compared to the previous year. The main reason was increased net interest income, reduced provisions, and better functional efficiency. The profitability indicator ROE (return on equity) in 2016 reached 13.6 percent, increasing by 3.2 percentage points compared to last year, while ROA (return on assets) increased from 0.8 percent in 2015 to 1.5 percent in 2016. At the end of 2016, the banking sector employed 5,985 people, which is an increase of 17 people from 2015.

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. 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. However, the use of credit cards is widespread and most companies and shops accept credit cards as a payment instrument.

The reference rate (interest rate on 28-day Central Bank bills) was raised in early May 2016 from 3.25 percent to 4 percent to prevent further withdrawal of deposits caused by speculation of financial uncertainty. By the end of 2016 the reference rate dropped to 3.75 percent, and most recently back to 3.25 percent. The average weighted lending rate of the banking system in 2016 was 6.4 percent, while the average weighted deposit rate was 1.8 percent.

For more detailed information about various aspects of the banking system and its performance, NBRM publishes annual and quarterly reports on banking supervision as well as other data and information on its [website](#).

### **Foreign Exchange Controls**

Macedonia does not restrict reinvestment or repatriation of profits and investment capital. 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 also no legal limitations on private financial transfers, foreign exchange transactions, and capital movements. Local companies can pay for imported goods or services in foreign currencies, as they are allowed to hold a foreign exchange account in one or more banks.

### **U.S. Banks and 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 Skopje](#)

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

[NLB Bank](#)

Mother Teresa 1  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-15-600  
Fax: 389-2-310-5681

[Ohridska Banka - Societe Generale Group](#)

Orce Nikolov 54  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-316-7600  
Fax: 389-2-311-7164

[Halkbank](#)

Mito Hadzivasilev Jasmin bb  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-324-0800  
Fax: 389-2-329-6330

[ProCredit Bank](#)

Manapo bb (behind City Mall)  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-324-6000  
Fax: 389-2-321-9901

[Sparkasse Bank](#)

Makedonija 9 – 11  
1000, Skopje, Republic of Macedonia  
Tel: 389-2-320-0501  
Fax: 389-2-320-0515

[Macedonian Bank for Development Promotion](#)

Dimitrie Cupovski 26  
1000 Skopje, Republic of Macedonia  
Tel: 389-2-311-5844  
Fax: 389-2-323-9688

## **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.

### **Multilateral Development Banks:**

*U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, World Bank)*

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [European Bank for Reconstruction and Development](#) and the [World Bank](#).

### **Web Resources**

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to the World Bank](#)

[Export-Import Bank of the United States](#)

[OPIC](#)

[Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

[U.S. Agency for International Development](#)

[Multilateral Investment Guarantee Agency](#)



## **Business Travel**

### **Business Customs**

Macedonia's business customs are similar to Western business customs. Shaking hands is the standard form of greeting and introduction. Business cards are exchanged without much protocol. Business attire for professionals in Macedonia is like that in the United States. Establishing a good business relationship in Macedonia requires the creation of trust. Meetings over coffee, lunch, and dinner are important for getting acquainted and developing trust.

Traditional businesses hours are 8:30 AM to 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](#) and the [State Department site](#) 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

Email: [consularskopje@state.gov](mailto:consularskopje@state.gov)

Fax: + 389-2-310-2299)

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](#)
- [U.S. Embassy – Skopje, Macedonia](#)

### **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, and a range of other VoIP providers of telephony services. There are two cell phone service providers: Makedonski Telekom (owned by Magyar/ Deutsche Telekom and the Government of Macedonia) and one.Vip (owned by Telekom Austria Group). Both telecom service providers are 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 also available, 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**

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

Macedonia has two commercial airports. The Turkish company, TAV, operates both airports on contract.

[Skopje "Alexander the Great" Airport](#) – Petrovec (20km east of Skopje)

Tel: 389-2-314-8333

[Ohrid "Saint Paul the Apostle" Airport](#) (12km north-west of 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.

Several 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](#).

[Adria Airways](#)

Tel: 389-2-311-7009

[Alitalia](#)

[Air Serbia](#)

Tel: 389-2-311-8306

[Austrian Airlines](#)

Tel: 389-2-314-8372

[Croatia Airlines](#)

Tel: 389-2-256-1850

[Czech Airlines](#)

[flydubai](#)

[Pegasus Airlines](#)

[Qatar Airways](#)

[Swiss Air](#)

[Turkish Airlines](#)

Tel: 389-2-311-6149

[Wizz Air](#)

### **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

[EUROPCAR](#)

Tel: 389-70-205-546

[SIXT Rent a Car](#)

Tel: 389-75-448-902

[HERTZ Automobile SK](#)

Tel: 389-70-217-881

### **Public Transportation**

Public transportation such as buses and trains is available and inexpensive, but may be unreliable, dilapidated, and it may 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. A railway link with Bulgaria is under construction. Train travel, while inexpensive, is not advisable in Macedonia.

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

### **Walking**

Always take care 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. Most care providers overseas only accept cash payments. U.S. embassies do not pay medical bills and U.S. Medicare does not apply overseas.

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 risks exist for air pollution especially during the winter months and tick-borne diseases are prevalent 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](#). 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

#### **2017 Holidays:**

|             |                                   |
|-------------|-----------------------------------|
| January 1   | New Year's Day                    |
| January 7   | Orthodox Christmas                |
| April 16    | Orthodox Easter                   |
| May 1       | Labor Day                         |
| May 24      | Saints Cyril and Methodius Day    |
| June 25     | Ramadan Bajram (Eid al-Fitr)      |
| 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 practice, business activity in Macedonia slows during late July and August, when many people take extended summer holidays.

### **Temporary Entry of Materials and Personal Belongings**

For information on customs regulations for departing from and arriving in Macedonia, please refer to the [Macedonian Customs Administration](#).

#### **Web Resources**

[T Makedonski Telekom](#)

Tel: 389-2-310-0200

[VIP](#)

Tel: 389-77-1234

[UNET](#)

Tel: 389-2-306-6505

[Neotel](#)

Tel: 389-2-551-1100