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Trade and Project Financing

Methods of Payment
Banking Systems
Foreign Exchange Controls
U.S. Banks and Local Correspondent Banks
Project Financing
Legal Disclaimer:
The US&FCS makes every reasonable effort to ensure the accuracy and completeness of the information in this Guide, a resource for U.S. businesses to use in the exercise of their business judgment. U.S. businesses should conduct their own due diligence before relying on this information. When utilizing the information provided, the U.S. business is responsible for complying with all applicable laws and regulations of the United States, including the U.S. Foreign Corrupt Practices Act (FCPA). References and links to third-parties and their content are provided for the convenience of readers, and are not exhaustive lists of such resources. The US&FCS is not responsible for the availability of any third-party or its content whether found on an external site or otherwise; nor does US&FCS endorse the third-parties or endorse, warrant, or guarantee the products, services, or information described or offered in any third-party content. Please be aware that when following a link to an external site, you are then subject to the privacy and security policies and protections of the new site.
Doing Business in North Macedonia

Market Overview

The Republic of North Macedonia is an emerging market. With a population of less than 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.

- Stable currency pegged to the euro
- EU and NATO candidate
- Open economy that welcomes foreign direct investment and trade
- Sound macroeconomic fundamentals
- English-speaking workforce
- Ranked 10th best by the World Bank’s Doing Business 2019 report
- Low taxes: 15 percent on corporate income
- Unemployment rate of 20.7 percent; youth unemployment of 45 percent
- Largest sources of FDI are Austria (13.6 percent of total), the United Kingdom (11.3 percent), Greece (10.1 percent), the Netherlands (0.0 percent), and Slovenia (6.9 percent)
- Competitive wages (average monthly salary of $440 as of February 2019)
- Fourth quarter 2018 GDP growth of 3.7 percent
- Middle-income country with per capita income of $6,100 in 2018
- Low inflation (1.5 percent in 2018)
- Total 2018 trade (imports plus exports) of $15.96 billion, or 126.1 percent of GDP
- Largest trading partners in 2018 were Germany (26.9 percent of total trade), Greece (6.2 percent), UK (6.2 percent), Serbia (5.6 percent), and Bulgaria (4.7 percent)
- In 2018, the United States was North Macedonia’s 14th largest trading partner. According to Government of North Macedonia statistics, U.S.-North Macedonia trade totaled $312 million in 2018, of which U.S. exports were $244 million. According to U.S. government statistics, U.S.-North Macedonia 2018 trade totaled $395 million, of which U.S. exports were $41.4 million

Member of European Free Trade Agreement (EFTA) and Central European Free Trade Agreement (CEFTA); bilateral Free Trade Agreements with Turkey and Ukraine.

Market Challenges

- Slow moving judicial system
- Legislative and regulatory contradictions
- Inefficient bureaucracy
- Weak rule of law and corruption
- Opaque tendering process
- Inconsistent enforcement of intellectual property rights
- Delays 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 2018 in North Macedonia were engine and engine parts, vehicle parts and accessories, industrial supplies, industrial machines, chemicals, medicinal equipment, and computers. 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 North 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 agriculture 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.
- Establishing qualified local legal services for contract negotiations is highly advisable.

**Political and Economic Environment**

For background information on the political and economic environment of North Macedonia, please read [https://www.state.gov/r/pa/ei/bgn/26759.htm](https://www.state.gov/r/pa/ei/bgn/26759.htm)

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

**Using an Agent or Distributor**

Use of an agent or distributor is not legally required. When doing business in North 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 North 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 North 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 also establish a representative office to conduct market research and gather information by registering with the Central Registry. A representative office is not a legal entity in North 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 North Macedonia. Several international franchises are present, especially in the retail, hotel, and food and beverage sectors. Given North Macedonia’s small size, investors may wish to buy franchise licenses for several markets in the region and not just for North Macedonia.

**Direct Marketing**

Direct marketing is not well developed in North 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 North Macedonia is still quite difficult due to North Macedonia’s low purchasing power, the high cost of shipping, and lack of security for packages. Citizens in North Macedonia still prefer to pay with cash; debit and credit card usage is growing yet lags behind other European countries. North Macedonia is behind in access to electronic payment systems and innovative payment solutions.

North 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**

North 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 North Macedonia outside of the pharmaceutical industry.

**Selling to the Government**

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

North 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. While the European Union’s April 2018 report recommended that member states open accession negotiations with North
Macedonia, it also suggested the country needs to do more to prevent irregularities and corruption during the procurement cycle and to ensure a transparent, efficient, and effective public procurement regime.

Addressing these historic obstacles, the reformed Law on Public Procurement entered into force on April 1, 2019. It regulates public procurements in North 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, and the law mandates the use of electronic auctions. The award procedure is divided. There is a simplified procedure for small value procurements valued up to EUR 10,000 or construction projects valued up to EUR 20,000. A separate, more complex procedure applies to goods valued up to EUR 70,000 and for construction projects up to EUR 500,000. The law does not specifically address other project values.

The law mandates that the main criterion for award decisions is the most economically advantageous tender, rather than the lowest bid. U.S. companies producing higher quality, and initially more expensive, products (e.g., medical equipment) should benefit from this model. 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.

North Macedonia's public procurement suffers from low competition and annulments of tenders. Any bidder can contest the bid evaluation process. The Second Instance Commission reviews 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.

North Macedonia is in the process of acceding 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 North Macedonia. Most of the typical distribution channels are available, although they often lack the sophistication found in EU markets.

Since North 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 North 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.
North Macedonia's retail sector is dominated by small shops. There are a few shopping malls in North 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, Kam Market and Kipper Market.

**Express Delivery**

Major express delivery service providers, such as FedEx, UPS, DHL, and EMS (operated by Macedonian Post) serve North 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 National Bank of the Republic of North Macedonia [NBRNM – the Central Bank] May 2019 middle exchange rate: US$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 Macedonian and Albanian languages.

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

Price is usually the decisive selling factor, since disposable income in North 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**

eCommerce is growing in North Macedonia, but is still relatively low, both in terms of local merchants selling and consumers shopping online. A 2018 UNCTAD report measuring the B2C e-commerce index of countries ranked North Macedonia 48 out of 151 countries.

By the end of December 2018 internet penetration was 75.9 percent, compared to 46 percent in 2010.

The number and value of completed online orders and purchases in 2018 compared to 2017, shows that eCommerce in North Macedonia is on the rise. In 2018, a total of 5,435,285 online transactions were completed, compared to 4,293,214 online transactions in 2017, an increase of 21 percent. Analyses done by the Association of eCommerce of Macedonia (AECM), show that consumers in North Macedonia in 2018 spent over USD 150 million on online purchases of clothing and sports equipment. The orders are usually made on foreign eCommerce sites (outside Europe).

**Cross-Border eCommerce**
About 80 percent of online purchases in 2018 in North Macedonia were made via AliExpress retail service and other foreign websites, mostly in the UK, Luxemburg, Hungary, the United States and Ireland. 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 North Macedonia. B2B eCommerce is most common in the Information Communications and Technology (ICT) sector.

**eCommerce Services**

Although increasing, the eCommerce service system is not well developed in North Macedonia. Largest service providers include Makedonski Telekom, Halkbank, UNI Bank and Stopanska Banka.

**eCommerce Intellectual Property Rights**

Many local consumers have low levels of digital literacy and purchase cheap fakes online believing they are genuine. North 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 North 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**

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

**Major Buying Holidays**

Major consumer buying holidays in Macedonia are Orthodox Christmas, Orthodox Easter, and Ramadan. Because of the start of the traditional summer holiday 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 North Macedonia. Twitter is primarily used by opinion makers. LinkedIn is most popular for professionals, but its penetration remains low. Younger generations use Instagram and WhatsApp. Viber is popular and is used to make phone calls and send messages.
Trade Promotion and Advertising

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

Broadcast Media

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

In addition to state-owned broadcaster Macedonian Radio Television (MRT), which is funded from the national budget as well as advertisements, there are a number of private television stations with national coverage, national television stations broadcasting via satellite, private regional, and private local television stations. Cable TV is increasingly popular with a growing number of regional stations. The most-watched national television stations are Alsat M, Kanal 5, MRT Albanian Language TV, MRT Macedonian language TV, Sitel, Telma, and TV 21. There are also number of radio stations broadcasting throughout North Macedonia.

Print Media

There are Macedonian language daily newspapers (Nova Makedonija, Sloboden Pecat, Nezavisen, Vecer) and an Albanian-language newspaper (Koha) in North Macedonia. Several specialty magazines are also published in Albanian and Macedonian (e.g., Fokus, Kapital, Republika, Shenja, Ekonomija i Biznis).

Internet

All major broadcast and print media offer up-to-date web editions, and the number of online media outlets in the country continues to grow. Social media networks, especially Facebook, are exceptionally popular in North Macedonia.

Business directories include Yellow Pages and Zlatna Kniga.

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 North Macedonia. Local and foreign firms use trade fairs to build business connections and gain market visibility. A list of upcoming fairs and events can be found at Skopje Fair.

**Sponsorships and Special Promotions**

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

To attract foreign investment and tourists, Invest North Macedonia, an Agency for Foreign Investments and Export Promotion, and the Agency for Promotion and Support of Tourism’s, Macedonia Timeless advertising campaigns were promoted in the United States and Europe for approximately eight years on CNN (Cable News Network).

**Pricing**

According to official February 2019 data, average monthly income in North Macedonia is 24,192 denars (per NBRNM May 2019 middle exchange rate: $ 440). 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**

North Macedonia’s legal regime for intellectual property rights (IPR) is generally in line with international standards. Government agencies, such as the Industrial Property Office and the Customs Administration in particular, generally cooperate with rights holders. Companies that proactively seek protection of their brands in North Macedonia are usually satisfied with institutional responsiveness. The longest running IPR issue for U.S. companies has been the use of unlicensed software in public institutions.

Any foreign company should consider several general principles for effective management and protection 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
Due Diligence

Few companies in North 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 North 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 North 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 North Macedonia is difficult and expensive due to complex collection processes and the overloaded court system.

Local Professional Services

U.S. Embassy Skopje List of Attorneys

Macedonian Lawyers Association

E-mail: mla@mla.org.mk

Accounting and Business Consulting Services

Analysis and Advisory Group

E-mail: aag@aag.com.mk

Deloitte

E-mail: Inanus@deloittece.com

Ernst & Young

E-mail: vladimir.sokolovski@mk.ey.com

Grant Thornton

E-mail: ruzica.filipceva@mk.gt.com

KPMG

E-mail: mk-office@kpmg.com

ND-Balkan

E-mail: abdylmenaf.bexheti@nd-balkan.com

PricewaterhouseCoopers (PwC)

E-mail: office@mk.pwc.com

Advertising

McCann Skopje

E-mail: mccann@mccann.com.mk
Principal 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 North Macedonia
- Macedonian Lawyers Association
- Analysis and Advisory Group
- Deloitte
- EY Macedonia
- Grant Thornton
- KPMG
- ND Balkan
- PwC North Macedonia
- McCann Skopje
- Media Solutions
- New Moment
- Publicis Macedonia
- The American Chamber of Commerce in Macedonia
Leading Sectors for U.S. Exports and Investment

Energy

Overview


North 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 North Macedonia since entering the market in 2006. State-owned MEPSO is the country's electricity transmission system operator. ESM (Elektrani na Severna Makedonija/Powergeneration Plants of North Macedonia; formerly ELEM) is North Macedonia's state-owned electricity producer.

The electric power production system in North Macedonia consists of two thermal power plants with a total installed capacity of 800 MW, several hydro power plants with an installed capacity of 650 MW. The two thermal plants produce 70 percent of the country's total electricity. The smaller thermal power plant “REK Oslomej” is not in operation and its obsolete equipment is in urgent need of modernization. The government intends to convert its boiler to be able to burn high-caloric coal. Modernization of the "REK Bitola" thermal plant was performed in 2017, but its equipment is still largely obsolete. There are two open pit lignite mines with a total capacity of 7 million tons/year and estimated deposits for the next 15 - 20 years. Domestic lignite has low-caloric value and the government has announced plans to import coal. 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 36 percent of total consumption. The total annual production of electricity in 2018 was 5,447 GWh, which provided 69 percent of the total domestic electricity needs. North 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.

There are about 20 licensed energy suppliers in the country, but only 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 will offer a concession to private investors for a public-private-partnership with the state owned electricity producer ESM for construction of a 440 MW capacity hydro power plant. The feasibility study has been completed but a call for bidders has not yet been issued.
ESM owns and operates the only wind power capacity, a 36.5 MW wind park in the southern part of the country. It plans to increase capacity to 50 MW, and add a separate 14 MW capacity park.

A natural gas transportation pipeline operated by GA-MA, jointly owned by the government and the largest oil distributor in North Macedonia “Makpetrol,” carries Russian gas from the Bulgarian border to Skopje. Gazprom provides 100 percent of the capacity within the pipeline. This pipeline primarily supplies 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 its efforts to build natural gas interconnections with Greece and Bulgaria to diversify its sources of natural gas.

ESM has issued an international tender for construction of a 10 MW photovoltaic power station next to TPP Oslomej. EBRD has approved a loan of EUR 5.9 million, and ESM will finance the remaining EUR 1.1 million.

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. The governments of North Macedonia and Greece are discussing re-opening the dormant oil pipeline. OKTA primarily operates as an oil trader in North Macedonia.

**Leading Sub-Sectors**

Following privatization of the electricity distribution system, the government has liberalized part of the electricity generation market. The government is offering limited concessions for investment in small hydropower facilities.

Renewable energy generation project opportunities, such as investments in electricity generation from wind and solar, and in thermal power generation 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.

**Opportunities**

North 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. ESM is interested in upgrading the existing thermal power plants of “REK Oslomej” and “REK Bitola.” In addition, the government is exploring the possibility of extending concessions for building small-scale hydro power plants along rivers in the country.

The government wants to increase installed solar energy capacity from the current 20 MW to 200 MW. However, it plans to switch from offering a feed-in tariff to a premium tariff, while also offering free land and free connection to the electricity grid. In addition, the government intends to introduce a net metering system, allowing for households to install solar panels on their residences and produce electricity.

In addition to installing a new 14 MW to the existing wind park, the government plans to increase the country’s wind power capacity to 100 MW by tendering projects to interested private investors.

The government is considering 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 is subsidizing households’ purchases of cleaner wood pellet stoves for home heating.

The government has negotiated a loan with EBRD to finance the construction of a gas distribution network in the ten largest cities in the country. A few of those cities, including the city of Skopje, have established public enterprises in charge of gasification at the local level. The city of Strumica already has a basic gas network,
importing compressed gas from Bulgaria by truck. The government is also looking at options to connect the domestic network to alternative supply sources such as TAP and the LNG terminal in Greece.

**Web Resources**

- Ministry of Economy
- Energy Agency of the Republic of North Macedonia
- Energy Regulatory Commission
- ELEM (State-owned Power Plants of North Macedonia)
- MEPSO (State-owned Electricity Transmission System Operator of North Macedonia)
- EVN (State-owned Electricity Transmission System Operator)
- Macedonian Energy Resources
- Macedonian Center for Energy Efficiency (MACEF)

**Transportation**

**Overview**

North 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 North Macedonia. Corridor 8 consists of the E-65 road from Varna, Bulgaria to Durres, Albania via Sofia, Bulgaria and Skopje, North Macedonia. Corridor 10 consists of the E-75 road from Athens, Greece via Skopje, North Macedonia, Belgrade, Serbia, and Zagreb, Croatia to Munich, Germany.

Improvements in the past few years focused primarily on the elimination of bottlenecks and the completion of the infrastructure on both corridors.

**Leading Sub-Sector**

North 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, North 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 business opportunities for U.S. companies.

**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, North Macedonia could 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 North 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 Transport
TAV – Airports in North Macedonia

Computers and Information Technology Equipment

Overview

With an annual growth rate between 2.5 and 8 percent over the last several years, the Information and Communication Technology (ICT) sector in North Macedonia is a promising area for U.S. companies. The ICT sector in North 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 North Macedonia was an estimated USD 400 million in 2018. Hardware is the largest segment (55 percent) of the ICT market in North 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 North 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 alternative telephone service operators, as well as 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 North Macedonia: Makedonski Telekom (part of Deutsche Telekom Group through controlling owner Magyar Telekom) and Vip (member of A1 Telekom Austria Group).

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
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 continued to increase rapidly from 2006–2016, but slowed down dramatically in 2017. Construction output in North Macedonia increased by 12 percent January to November 2018. The construction industry's turnover was USD 513 million in 2017, compared to USD 577 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 North Macedonia to improve connections with trading partners and increase economic growth. The World Bank and EBRD continue to finance building new transportation infrastructure, and North Macedonia is also investing in local roads. For rail infrastructure, North Macedonia's priority is to complete a rail link to Bulgaria and build one with Albania. Residential building construction has also picked up in the last several years and is expected to continue in the coming period. North Macedonia welcomes foreign construction companies that bring new technologies and know-how, and work with local firms as subcontractors. Companies interested investing in construction and infrastructure need to be aware that North Macedonia is seismically active, especially in the capital of Skopje, and therefore has strict earthquake standards.

Opportunities

There are both export and investment opportunities available for U.S. companies in the construction and building materials sector. Buildings in North Macedonia are energy inefficient and take a relatively long time to build. New construction is required to meet strict seismic construction requirements, particularly in Skopje, the country’s most active seismic zone. Wood and steel frame buildings are almost unknown, though builders in North 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 North Macedonia offers primarily cement, cement products, and gypsum products.

Web Resources

Civil Engineering Institute
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. North Macedonia offers a full range of accommodations in 280 licensed hotels. North 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 North Macedonia's tourist revenues, is Lake Ohrid. The town of Ohrid is a UNESCO historical and cultural heritage site. Tourists primarily come from Turkey, Greece, Serbia, Bulgaria, the Netherlands, Albania, and Germany.

U.S. franchise hotels Holiday Inn, Best Western, Marriott and Hilton are present in Skopje. Marriott is planning to open a second property in Skopje, a Courtyard by Marriott, in the coming years. DoubleTree by Hilton opened in Skopje January 1, 2019.

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 North Macedonia, primarily in Skopje and in areas around Lake Ohrid. There are no golf courses in North 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 zero percent personal income tax and zero percent VAT in the first 10 years of operation. USAID has supported the development of adventure tourism products in North 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
Agribusiness is one of North Macedonia's most promising sectors. In 2017, agribusiness (including agriculture, forestry, and fisheries) accounted for 7.9 percent of GDP, 10 percent of total trade and 15.7 percent of the total number of persons employed in the country.

Exports of agriculture and food products in 2018 constituted 9.31 percent of North Macedonia's total exports. The top markets for agriculture and food products are the EU (50.5 percent of total exports, including Greece
14.6, Germany 14.4, Bulgaria 13.2, and Croatia 12 percent), and CEFTA countries (33.9 percent). The main export products from North Macedonia are tobacco, lamb meat, fresh and processed vegetables and fruits, wine, and confectionary products. The main import products are meat (poultry, beef and pork accounted for 20 percent of total agriculture imports), chocolates and confectionary, cheese, processed foods, and grains.

North Macedonia-U.S. trade in agricultural products slightly dropped from USD 40.5 million in 2017 to USD 39.5 million in 2018. The U.S. share of North Macedonia's agricultural imports increased 0.05 percent in 2018 to 1.06 percent of total imports, while the share of North Macedonia's agricultural exports going to the United States dropped 0.12 percent compared to 2017 and was 4.88 percent.

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

The six-year National Strategy for Agriculture and Rural Development 2014-2020 aims to strengthen the ability of North Macedonia's agricultural sector to compete in the EU and other regional markets and to promote sustainable development of rural areas. The strategy, which was a prerequisite for receiving the EU Instrument for Pre-accession Assistance (IPA) II in agriculture, also aims to improve the marketing of agricultural products and implementation of minimum quality standards so they are aligned with EU laws on the quality of agricultural products. Consequently, the total agriculture budget (including financial support to agricultural development and subsidies to farmers) has increased from USD 49.3 million in 2007 to USD 214.8 million in 2018 (exchange rate USD 1 = 54.6 MKD), and accounted for around 4.51 percent of the national budget in 2018. The largest portion of the agriculture budget (USD 153 million in 2018) was support and direct payments for agriculture production and rural development. The government is working on preparation of the new Strategy and Action plan that will reflect changes in the sector influenced with the increased direct support given to the farmers in the past five years. The government has promoted agriculture as one of the most important sectors for the development of the economy in North Macedonia and adopted and amended several agriculture-related laws to comply with EU requirements. As a result of financial support to the agriculture sector, the number of family farms in 2017 increased by 10,000 compared to 2016, bringing the total number of registered farm holdings in the State Farm Register to 160,000.

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.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Local Production</td>
<td>1.581 bl$</td>
<td>1.532 bl$</td>
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<td>n/a</td>
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<tr>
<td>Total Exports</td>
<td>537.56 ml$</td>
<td>583.86 ml$</td>
<td>630.56 ml$</td>
<td>613.43 ml$</td>
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<tr>
<td>Total Imports</td>
<td>773.82 ml$</td>
<td>790 ml$</td>
<td>905.26 ml$</td>
<td>890 ml$</td>
</tr>
<tr>
<td>Imports from the US</td>
<td>507 ml$</td>
<td>8.6 ml$</td>
<td>9.4 ml$</td>
<td></td>
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<tr>
<td><strong>Total Market Size</strong></td>
<td>1.817 bl$</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Leading Sub-Sectors

Wine production: North Macedonia produces approximately 1 million hectoliters of wine annually in 76 wineries, and approximately 1 million hectoliters of beer, mostly for domestic consumption. It is a net exporter of wine, a strategic export product for the country. Approximately 65 percent of wine exports are in bulk and 35 percent are bottled. Production of wine in 2017 slightly dropped compared to previous years, as a result a shift by wineries to focus on production of high quality bottled wine. 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 North Macedonia and technology and supplies to stimulate grape production.

Tobacco production: Tobacco was the top industrial crop in 2017, planted on 16,000 hectares or almost 80 percent of the total area for industrial crops. Although the area dedicated to tobacco decreased by about 2.6 percent in comparison with 2016, and the production of tobacco (22,885 tons) decreased by 3 percent, the purchase price had a growing tendency, due to improved quality of the final product and financial support given by the State. Almost the whole quantity of raw tobacco production is contracted by multinational companies through registered branches in the country and exported as fermented tobacco. The largest export market is the EU, followed by the United States and neighboring countries.

Organic production: Organic farming is an area for development. Over the past three years the amount of arable land certified for organic production and the number of companies involved grew, as a result of an increase of government support for the sector. In 2018, there were 800 registered small scale organic agricultural production entities in the country. They produce primarily meat and dairy (lamb, sheep, and goat dairy products), honey, cereals, industrial oil crops, wine, fruits, and vegetables.

Fresh fruit and vegetable production: Fresh fruit and vegetable production comprises 45.8 percent of agriculture output in the country and is export oriented. Almost 80 percent of production is exported as fresh, preserved, or processed. The production of crops is concentrated in the southern and eastern parts of the country, due to the favorable climate. Over 75 percent of vegetable production is in open fields, 20 percent in plastic tunnels, and the rest in glass greenhouses. Top vegetable crops are potatoes, beans, peppers and tomatoes, while top fruit crops are apples, plums, peaches and pears.

Preserved fruits and vegetables: The food processing industry in North Macedonia consists of 50 companies with a processing capacity of approximately 180,000 tons of fruits and vegetables per year. The most significant raw materials are red peppers, industrial tomatoes, sour cherries, apples, and plums. The industry is export oriented, with over 80 percent of production going to the EU and neighboring markets as fresh for further processing. The low amount of food processing in North Macedonia is due to problems with the supply of quality raw materials and unsophisticated suppliers, lack of skilled workers, and difficulty accessing financing.

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Exchange Rates

<table>
<thead>
<tr>
<th>Rate</th>
<th>55.5</th>
<th>55.7</th>
<th>50</th>
<th>54.6</th>
</tr>
</thead>
</table>

\[(\text{total market size} = (\text{total local production} + \text{imports}) - \text{exports})\]
Opportunities

U.S. food exporters should focus on establishing their business relationship with a reliable and efficient importer and distributor, with access to appropriate distribution and sales channels.

The Government of North Macedonia considers agriculture a target area for future investment, growth and development, including increased foreign direct investment. Although the government provided significant financial support to farmers in the past ten years, the lack of modern equipment and lack of investment in processing facilities remain key weaknesses of the agriculture sector.

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.

Meat: North Macedonia is a net importer of meat, as it has insufficient meat production, and the number of farm animals continues to decrease. North Macedonia meets 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 almost 90 percent of the market for fresh meat; while all of the needs for the meat processing industry come from imports. There is a significant lack of beef, as most of the cattle in the country are dairy cows. Lamb meat is the only net exported livestock product from the country. Around 85 percent of North Macedonia lamb is exported to EU countries, mainly Greece and Italy, mostly around Christmas and Easter.

Grain market: Macedonia imports most of its grain. There is insufficient domestic production of corn. The country imports one-third of its wheat annually. There is no production of soya beans; most of the soybean meal is purchased from Serbia and Hungary by large farms and concentrate producers, and U.S.-origin soybean meal comes through Greece and Bulgaria. Higher protein meal is in demand, but the market is price sensitive. In 2013 North 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

Food and Agriculture Organization of the United Nations North 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 agriculture 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 North Macedonia.

For more information and help with trade barriers please contact:

International Trade Administration

Enforcement and Compliance
(202) 482-0063
ECComunications@trade.gov

Import Tariffs

North Macedonia joined the World Trade Organization (WTO) in 2003. As a WTO member, North 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, North Macedonia is harmonizing its customs’ laws with EU laws and regulations.

Customs duties generally apply to most products imported into North Macedonia. Preferential tariffs apply to countries with which North 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 2018 ranged from 0–35 percent. Customs tariffs are revised and amended on an annual basis, in conformity with the amendments to the Combined Nomenclature of the European Union. Amendments refer to the system of designations of the goods, system of numeric marking, unit prices, as well as notes concerning particular sections and chapters. Customs duties are determined by the Customs Tariff Law (Official Gazette of the Republic of Macedonia No. 23/2003, 69/2004, 10/2008, 35/2010, 11/2012, 93/2013, 44/15 and 81/15). Details on customs tariffs are available here.

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 five 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 and for foodstuff
for human consumption are taxed at the preferential rate of 5 percent. For imports into North Macedonia, VAT is assessed on the customs value of the goods plus the customs duty and excises.

**Import Requirements and Documentation**

An importer/exporter in North 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 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 to invite North Macedonia to accede to those Conventions, as of July 1, 2015, North Macedonia's Customs Administration has become a part of this customs system.

**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.

**U.S. Export Controls**

Most technology can be exported from the United States to North 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 Irvine, 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 North Macedonia on a temporary basis. Information about the rules on temporary imports can be found at North Macedonia Customs Administration.

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

North 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 North 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 North 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.

**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 and Contact Information**

*Customs Administration of the Republic of North Macedonia*

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

**Standards for Trade**

**Overview**

The process of developing, certifying, and enforcing standards is undergoing reform in North 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 North Macedonia*  
*Bureau of Metrology*
Institute for Accreditation of the Republic of North 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, North Macedonia
Tel: 389-2-310-2403
E-mail: gegaa@state.gov

“Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.”

Trade agreements

North 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 the EU and left CEFTA), Kosovo, North Macedonia, Moldova, Montenegro, and Serbia. North Macedonia has additional Free Trade Agreements (FTAs) with Turkey and Ukraine. In February 2001 North 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 North Macedonia to enter the European Union duty free. The agreement also provides for a gradual reduction of duty rates for European Union products entering North 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 North 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 North 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).
Investment Climate Statement (ICS)

Executive Summary

The Republic of North Macedonia signed the Prespa Agreement on June 17, 2018, resolving a decades-long name dispute with Greece and opening the possibility of fulfilling its aspirations to join the EU and NATO. The NATO member states’ permanent representatives signed North Macedonia’s NATO Accession Protocol on February 6, and 11 countries have ratified the Protocol as of April 2019. On May 29, 2019, the European Commission recommended the European Council open accession negotiations with North Macedonia based on the progress achieved and sustained momentum on reforms. EU member states will decide whether to open accession negotiations with North Macedonia in summer or fall 2019. Progress towards EU and NATO membership has resulted in positive economic growth, with a 2018 fourth quarter GDP boost of 3.7 percent, and increases in FDI. Since the establishment of the current government in June 2017, 17 separate investments, worth a combined total of around USD 175 million, now exist at varying stages of development. On April 2, 2019, Greece and North Macedonia signed a series of bilateral agreements on defense, energy, civil aviation, and technology.

Attracting FDI is one of the government’s main pillars of economic growth and job creation. No laws or practices exist that discriminate against foreign investors. In 2019, a number of countries and foreign companies announced investments in the country and new operations in the free economic zones known as Technological Industrial Development Zones (TIDZ). In the past, North Macedonia’s competitive labor costs, proximity to European car manufacturers, and cooperative government assistance attracted foreign auto parts companies. The government’s attitude towards FDI, as well as policies it has in place, are conducive to U.S. investment, and a number U.S. companies successfully operate in North Macedonia.

The 2019 World Bank’s Doing Business Report ranked North Macedonia the 10th best place in the world for doing business, up one spot from the year before. Fitch affirmed North Macedonia’s BB credit rating and S&P affirmed its credit rating of the country at BB- with a stable outlook. Transparency International ranked North Macedonia 93rd out of 180 countries in its 2019 Corruption Perception index, up 14 spots from the prior year.

North Macedonia’s legal framework for foreign investors is largely in line with international standards, and foreign investors are generally treated the same as domestic investors in similar circumstances. North Macedonia has simplified regulations and procedures for large foreign investors operating in its TIDZ. Large
foreign companies operating in the zones generally report positive experiences doing business and good relations with government officials. However, the country’s overall regulatory environment is complex, and frequent regulatory and legislative changes, coupled with inconsistent interpretations of the rules, create an unpredictable business environment that allows for corruption. The government generally implements laws, but there are reports that some officials engaged in corruption, and some NGOs assess the government’s dominant role in the economy created opportunities for corruption. The current government has pledged to enhance transparency and rule of law.

Table 1: Key Metrics and Rankings

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index/Rank</th>
<th>Website Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI Corruption Perceptions Index</td>
<td>2018</td>
<td>93 of 180</td>
<td><a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a></td>
</tr>
<tr>
<td>Global Innovation Index</td>
<td>2018</td>
<td>84 of 126</td>
<td><a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a></td>
</tr>
<tr>
<td>U.S. FDI in partner country ($M USD, stock positions)</td>
<td>2017</td>
<td>USD 43million</td>
<td><a href="http://www.bea.gov/international/factsheet/">http://www.bea.gov/international/factsheet/</a></td>
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1. Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

Attracting FDI is one of the government’s main pillars of economic growth and job creation. There are no laws or practices that discriminate against foreign investors. In March 2018 the government passed its “Plan for Economic Growth” (http://vlada.mk/PlanEkonomskiRast), which provides substantial incentives to foreign companies operating in the 15 free economic zones. The incentives include a variety of measures including job creation subsidies, capital investment subsidies, and financial support to exporters. Also, North Macedonia is a signatory to multilateral conventions protecting foreign investors and is party to a number of bilateral investment protection treaties, though none with the United States.
Three government ministers and multiple agencies promote North Macedonia as an investment destination. Invest North Macedonia - the Agency for Foreign Investments and Export Promotion, http://www.investinmacedonia.com, is the primary government institution in charge of facilitating foreign investments. It works directly with potential foreign investors, provides detailed explanations and guidance for registering a business in North Macedonia, provides analysis on potential industries and sectors for investing, provides information on business regulations, and publishes reports about the domestic market. The North Macedonia Free Zones Authority, http://fez.gov.mk/, a governmental managing body responsible for developing free economic zones throughout the country, also assists foreign investors interested in operating in the zones. It manages all administrative affairs of the free economic zones and assists foreign investors in developing their physical facilities.

The government maintains contact with large foreign investors through frequent meetings and formal surveys to solicit feedback. Large foreign investors also can directly and easily contact government leaders for assistance to resolve issues. The Foreign Investors Council, http://fic.mk/, advocates for foreign investors and suggests ways to improve the business environment.

**Limits on Foreign Control and Right to Private Ownership and Establishment**

Foreign investors can invest directly in all industry and business sectors except those limited by law. For example, investment in the production of weapons and narcotics is subject to government approval. Investors in some sectors such as banking, financial services, insurance, and energy, 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. Under the law, if assets are nationalized, foreign investors have the right to receive the full value of their investment. This provision does not apply to national investors.

Invest North Macedonia conducts screening and due diligence review of foreign direct investments in a non-public procedure. The main purpose of the screening is to ensure economic benefit for the country and to protect national security. The process does not disadvantage foreign investors. More information about the screening process is available directly from Invest North Macedonia, at http://www.investinmacedonia.com. U.S. investors are not disadvantaged or singled out by any of the ownership or control mechanisms, sector restrictions, or investment screening mechanisms.

**Other Investment Policy Reviews**

There has been no third-party review of the government’s investment policy in the past three years. The World Trade Organization’s (WTO) last review of North Macedonia’s trade policy, published in 2014, is available at: https://www.wto.org/english/tratop_e/tpr_e/tpr390_e.htm. There is no OECD investment policy review available on North Macedonia. The most recent United Nations Conference on Trade and Development (UNCTAD) investment policy review on North Macedonia, from March 2012, is available at: https://unctad.org/en/PublicationsLibrary/diaepcb2011d3_en.pdf. The International Monetary Fund (IMF) and the World Bank have assessed aspects of the government’s policies for attracting foreign investment in their regular country reports.

**Business Facilitation**

All legal entities in the country must register with the Central Registry. 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. There is 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. Once the company is registered with the Central Registry it is valid for all other agencies. In addition to registering, some businesses must obtain additional working licenses or permits for their activities from relevant authorities. More information on business registration documentation and procedures is available at the Central Registry’s website, http://www.crm.com.mk. All investors may register a company online at http://e-submit.crm.com.mk/eFiling/en/home.aspx. 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. The World Bank’s Doing Business Ranking 2019 put North Macedonia 47th in the world for ease of starting a business, unchanged from 2018.

Outward Investment

The government does not restrict domestic investors from investing abroad, but it also does not promote or provide incentives for outward investments. Publicly reported total outward investments are small, worth approximately USD 81 million, the majority of which are in the Balkans region and in the Netherlands.

2. Bilateral Investment and Taxation Treaties

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

North 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.

North Macedonia is a signatory of three multilateral Free Trade Agreements: the Stabilization and Association Agreement (SAA) with the EU member-states, giving North 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.

There are no recent or upcoming changes to the tax regime that will concern foreign investors. No U.S. companies operating in North Macedonia have raised tax concerns with U.S. Embassy officials.

3. Legal Regime

Transparency of the Regulatory System
The government has made progress adopting reform priorities called for by the EU, NATO, and other bodies, leading to well defined laws, institutional structures, and regulatory legal frameworks. However, laws are not regularly prepared based on data-driven evidence or assessments and are frequently moved through Parliament using shortened legislative procedures. Universal implementation of laws and regulations can also be a problem.

North Macedonia has simplified regulations and procedures for large foreign investors operating in the TIDZ. However, the country's overall regulatory environment is complex and not fully transparent. Frequent regulatory and legislative changes, coupled with inconsistent interpretations of the rules, create an unpredictable business environment that may enable corruption. The current government has published all incentives for businesses operating in North Macedonia, which are standardized and available to domestic and international companies. Companies worth more than USD 1 billion that want to invest in North Macedonia can also negotiate terms different from the standard incentives. Moreover, the government can offer customized incentive packages if the investment is of strategic importance. The legal regulatory and accounting systems used by the government are consistent with international norms.

Rule-making and regulatory authorities reside within government ministries, regulatory agencies, and parliament. Almost all regulations most relevant to foreign businesses are on the national level. Businesses, the public, and NGOs play a limited role in the legislative and regulatory development process. Regulations are generally developed in a four-step process. First, the regulatory agency or ministry drafts the proposed regulations. The proposal is then published for public review and comments. After public comments are considered and properly incorporated into the draft, it is sent to the central government to be reviewed and adopted in an official government session. Once the government has approved the draft law, it is sent to parliament for full debate and adoption.

There is no one centralized location that maintains a copy of all regulatory actions. All newly adopted regulations, rules, and government decisions are published in the Official Gazette of the Republic of North Macedonia after they are adopted by the government, parliament, or signed by the corresponding minister or director. Public comments are not published or made public as part of the regulation.

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

The government has systems in place to regularly communicate and consult with the business community and other stakeholders before amending and adopting legislation, through the Unique National Electronic Register of Regulations (ENER). Interested parties, including chambers of commerce, can review the legislation published on ENER. The online platform is intended to facilitate public participation in policymaking, increase public comments, and to allow a phase-in period for legal changes to allow enterprises to adapt. Key institutions influencing the business climate publish official and legally binding instructions for the implementation of laws. These institutions are obliged to publish all relevant laws, by-laws, and internal procedures on their websites, however, some of them do not maintain regular updates.
In 2018, the government adopted a new Strategy for Public Administration Reform and Action Plan (2018-2022), and National Plan for Quality Management of Public Administration, which focus on policy creation and coordination, strengthening of public service capacities, and increasing accountability and transparency. The government also adopted its Open Data Strategy (2018-2020), which puts forth measures to encourage the release and use of public data as an effective tool for innovation, growth, and transparent governance.

International Regulatory Considerations

North Macedonia is not a part of any regional economic bloc. As a candidate country for accession to the EU, it is gradually harmonizing its legal and regulatory system with EU standards. As a member of the WTO, North Macedonia regularly notifies the WTO Committee on Technical Barriers to Trade of proposed amendments to technical regulations concerning trade. North Macedonia ratified the Trade Facilitation Agreement (TFA) in July 2015 (Official Gazette 130/2015), becoming the 50th out of 134 members of the WTO to do so. In October 2017, the government formed a National Trade Facilitation Committee, chaired by the Minister of Economy, which includes 22 member institutions. The Committee identified areas that need harmonization with TFA and is working toward their implementation.

Legal System and Judicial Independence

North Macedonia’s legal system is based on civil law with adversarial-style elements. The constitution provides for independent courts. The country has written commercial law and contract law. There are specialized courts that handle commercial and contractual disputes between businesses. Contracts are legally enforced by civil and administrative court rulings, and sporadically, with mediation. Enforcement actions are appealable and adjudicated in the national court system. Cases involving international elements can be decided in international arbitration.

North Macedonia has obligatory mediation in disputes between companies up to USD16,871 in value as a precondition before going to court. Some companies complain the measure imposes additional costs and protracts enforcement of contracts.

Numerous international reports have cited North Macedonia’s failure to fully respect the rule of law. In 2018, the government demonstrated greater respect for judicial independence and impartiality compared to previous years. However, limited judicial independence, politicization of the judicial oversight body, and inadequate funding of the judiciary continued to be concerns. Enforcing contracts and resolving commercial disputes in North Macedonia’s court system is time-consuming, costly, and subject to political pressures.

Laws and Regulations on Foreign Direct Investment

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; the Law on Financial Discipline, the Law on Financial Support of Investments, and the Law on Technological Industrial
Development Zones. An English language version of the consolidated Law on Technological Industrial Development Zones is available at: http://fez.gov.mk/wp-content/uploads/2018/01/law-in-tidz-eng.pdf. No other new major laws, regulations, or judicial decisions related to foreign investment were passed during the past year, however some existing laws received small amendments.

The Trade Companies Law

This is the primary law regulating business activity in North Macedonia (http://www.mse.mk/Repository/UserFiles/File/Misev/Regulativa/Zakoni%20ENG/LL_CG_TradeCompanies_Dec_2004_E.pdf). It defines the types of companies allowed to operate in the country, 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. This law does not apply to shares in state-owned enterprises.

Law on Foreign Exchange Operations

This law establishes the terms for 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 North 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.

**Profit Tax Law**

The corporate profit tax rate was raised from 10 percent to 15 percent on January 1, 2019. Since 2006, a withholding tax of 15 percent was levied on foreign legal entities as well as on income from dividends, interest, management consulting, financial, technical, administrative, research and development services, leasing of assets, awards, insurance premiums, telecommunication services, author fees, sports and entertainment activities, and rent proceeds from lease of real estate. The withholding tax does not apply to legal entities from countries that have signed an agreement to avoid double taxation with North Macedonia. The United States does not have such an agreement with North Macedonia.

**Labor Law**

All individual employment contracts and collective agreements signed between unions and employers are regulated by the Labor Law. ([http://www.lexadin.nl/wlg/legis/nofr/eur/arch/mac/laborlaw.pdf](http://www.lexadin.nl/wlg/legis/nofr/eur/arch/mac/laborlaw.pdf)). The law also regulates the implementation of rights, obligations, and responsibilities of the employee and employer. A general collective agreement clarifies and often enhances the basic rights and benefits provided for in the 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 regulates timely payment of liabilities between private sector legal entities, and liabilities stemming from business relations between private sector and public sector legal entities ([http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf](http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf)). Under the law, private entities must settle payment liabilities within 60 days of the day when the liability occurred. Failure to comply with the provisions of the law results in high fines both for legal entities and for the responsible person.

**Law on Financial Support of Investments**


**Law on Technological Industrial Development Zones**

**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, to determine if the aid adversely influences competition and trade under the Law on Control of State Aid (Official Gazette 145/10) and the Law on State Aid (Official Gazette 24/03). More information on the CPC’s activities is available at [http://kzk.gov.mk/en](http://kzk.gov.mk/en). There were no significant competition cases during the past year.

**Expropriation and Compensation**

The Law on Expropriation ([https://www.finance.gov.mk/files/u17/2.pdf](https://www.finance.gov.mk/files/u17/2.pdf)) provides that seizure and limitation of the right to ownership and property rights of real estate could be applied for the purpose of realization of public interest and for the purpose of building facilities and carrying out other activities of public interest. According to the Constitution and the Law on Expropriation, property under foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Under the Law on Expropriation, the state is obliged to pay market value for any expropriated property. If the payment is not made within 15 days of the expropriation, interest will accrue. The government has conducted a number of expropriations, primarily to enable capital projects of public interest, such as construction of highways and railways to which the government offered fair market value compensation. Expropriation procedures have followed strict legal regulations and due process. The government has not undertaken any measures that have been alleged to be, or could be argued to be, indirect expropriation, such as confiscatory tax regimes or regulatory actions that deprive investors of substantial economic benefits from their investments.

**Dispute Settlement**

**ICSID Convention and New York Convention**

North Macedonia is 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. Additionally, North Macedonia has either signed on to, or has inherited by means of succession from the former Yugoslavia, a number of bilateral and multilateral conventions on arbitration including the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA); the 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.

In April 2006, the Law on International Commercial Arbitration came into force in North Macedonia. This law applies exclusively to international commercial arbitration conducted in the country. An award from arbitration under this law has the validity of a final judgment and can be enforced without delay. Any award decision from arbitration outside North Macedonia is considered a foreign arbitral award and is recognized and enforced in accordance with the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral awards.

**Investor-State Dispute Settlement**
North Macedonia accepts binding international arbitration in disputes with foreign investors. Foreign arbitration awards are generally recognized and enforceable in the country provided the conditions of enforcement set out in the Convention and the Law on International Private Law (Official Gazette of the Republic of North Macedonia, No. 87/07 and No. 156/2010; http://www.slvesnik.com.mk/besplatni-izdanija.nspx?pYear=2010) are met. So far, the country has been involved in three reported investor-state disputes brought in front of international arbitration panels. None of those cases involved U.S. citizens or companies. Local courts recognize and enforce foreign arbitration awards issued against the Government of North Macedonia. The country does not have a history of extrajudicial action against foreign investors.

International Commercial Arbitration and Foreign Courts

North Macedonia accepts international arbitration decisions 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 on International Commercial Arbitration. 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 are 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. North Macedonia requires mediation in disputes between companies up to USD 16,871 in value before companies can go to court.

There is no tracking system of cases involving SOEs involved in investment disputes in North Macedonia, and post is not aware of any particular examples.

Bankruptcy Regulations

North 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. However, bankruptcy proceedings may not be implemented over a public legal entity or property owned by the Republic of North Macedonia. The World Bank’s Doing Business Report for 2019 (benchmarked to May 2018) ranked North Macedonia 10th out of 190 countries for ease of doing business.

In addition to commercial banks and the National Bank of North Macedonia serving as credit monitoring authorities, the Macedonian Credit Bureau (http://www.mkb.mk/en/MKBpogled.aspx) serves as a credit bureau.

4. Industrial Policies

Investment Incentives

Both the Law on Technological Industrial Development Zones (TIDZs) and the Law on Financial Support of Investments offer incentives to investors. Investors in the TIDZs are eligible for tax exemptions for a period of up to 10 years of operation in proportion to the size of investment and number of employees. Investors in the
TIDZs are exempt from paying duties for equipment and machines as well as municipality tax for construction. The land lease rate is symbolic, and investors are eligible for a 10 percent grant for the cost of construction of a plant and new machinery, as well as a grant for improving competitiveness. North Macedonia's legislative framework for FDI is generally harmonized with EU state aid regulations.

The salaries of employees working for TIDZ employers are exempt from personal income tax for a period of up to ten years after the first month in which the employer starts paying out salaries.

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

North Macedonia currently has 15 free economic zones in various stages of development throughout the country. The Directorate for Technological Industrial Development Zones (http://fez.gov.mk/) is responsible for establishing, developing, and supervising 14 of them, including seven fully operational TIDZ: Skopje 1 and 2, Prilep, Stip, Kicevo, Struga and Strumica. The Tetovo TIDZ is a public-private partnership. U.S. companies operate in TIDZs throughout North Macedonia: ARC Automotive (Skopje 1), Aptiv (Skopje 1), Kemet (Skopje 1), Gentherm (Prilep), Lear (Tetovo), and Adient (Stip and Strumica). The Dura Automotive project in TIDZ Skopje 1 is under construction.

**Performance and Data Localization Requirements**

North Macedonia does not impose performance requirements, such as mandating local employment (working level or management level) or domestic content in goods or technology, as a condition for establishing, maintaining, or expanding an investment. Foreign investors in the TIDZ may employ staff from any country. In 2016, North Macedonia simplified the procedure for expatriates to obtain permission to live and work in the country.

North 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. U.S. Embassy Skopje is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to encryption. Furthermore, there are no measures that prevent or unduly impede companies from freely transmitting customer or other business-related data outside the country. However, based on the new EU General Data Protection Regulation (GDPR), which came into force in May 2018, North Macedonia's Directorate for Personal Data Protection is preparing amendments to the Law on Personal Data Protection to harmonize North Macedonia's laws with the new EU regulations.

Depending on the sector and type of investment, various government authorities oversee and assess the fulfillment of investment promises made by foreign direct investments (FDI). The government entities include the Agency for Foreign Investments and Export Promotion (InvestNorthMacedonia), the Directorate for Technological Industrial Development Zones (TIDZs), and the Ministry of Economy.

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 (http://www.customs.gov.mk/index.php/en/).
5. Protection of Property Rights

Real Property

Laws protect ownership of both movable and real property, but implementation of the laws is inconsistent. Mortgages and liens exist and are regularly used, and the recording system is reliable. 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. Over the past few years, however, the government has improved the cadaster system, which has increased the security and speed of real estate transactions. Over 97 percent of real estate records are digitized. The World Bank's 2019 Doing Business Report ranked North Macedonia 46th out of 190 for the ease of registering property, two places up from 2018, and 13th for the ease of dealing with construction permits.

Land leased or acquired 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' property ownership is regulated under terms of reciprocity. Foreign residents cannot acquire agricultural land in North Macedonia. Foreign investors may acquire property rights for buildings used in their business activities, as well as full ownership rights over construction land through a locally registered company. If the foreign company registers a local company, it can acquire land with full ownership rights similar to a domestic company.

Purchased land belongs to the owner and even if it remains unoccupied, cannot revert to other owners such as squatters. The exception to this is agricultural land granted by government as concessions. If the consignee does not use the land per the agreement, then the government can cancel the concession and take back possession of the land.

Intellectual Property Rights

As an EU candidate country, North Macedonia must harmonize its intellectual property rights (IPR) laws and regulations with EU standards and demonstrate adequate enforcement of those laws. The European Commission's 2018 report on North Macedonia confirmed the country’s legislative framework has a sufficient level of alignment with the EU acquis, but its collective management systems need further improvement. The report recommended North Macedonia step up efforts to investigate and prosecute infringements of IPR, improve coordination among the law enforcement institutions through establishing an information platform for exchange of data, and raise public awareness on the importance of protecting IPR according to international best practices.

Responsibility for IPR is distributed 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). The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeit 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 Coordination Body for Intellectual Property periodically organizes interagency raids to seize counterfeit products, but it usually focuses on small sellers in open-air markets. Measures taken by the coordination body are rare and mostly target infringement of trademarks.

While North Macedonia has most necessary IPR laws in place, infringements of IPR are frequent, and protection of IPR by the court system should be improved. Prosecutors and judges in both civil and criminal cases are aware of IPR but lack adequate experience due to the small number of IPR cases and so do not have 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 anyway. 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, (USD5,624), or a prison sentence of up to five years. North Macedonia does not track and report cumulative statistics on IPR infringement or seizures of counterfeit goods, and therefore lacks a credible enforcement record. North Macedonia is not listed in the U.S. Trade Representative Special 301 Report or the Notorious Markets List. However, the government currently uses, and has used for the past ten years, unlicensed Microsoft software. In early 2018, the government initiated talks to resolve the issue.

North Macedonia joined the World Intellectual Property Organization (WIPO) in 1993 and in 1994 became a member of WIPO’s Permanent Committee of Industrial Property Protection Information. For additional information about national laws and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

6. Financial Sector

Capital Markets and Portfolio Investment

The government openly welcomes foreign portfolio investors. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. North Macedonia’s capital market is modest in turnover and capitalization. Market capitalization in 2018 was USD3.1 billion, a 19 percent rise from the previous year. The main index, MB10, increased by 36.6 percent, reaching 3,469 points at year-end. Foreign portfolio investors accounted for an averaged 13.5 percent of total MSE turnover, 3.9 percentage points less than in 2017. The authorities do not discriminate against foreign portfolio investments in any way.

There is an effective regulatory system for portfolio investments, and North Macedonia’s Securities and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. In 2018, the total number of listed companies was 105, two less than a year prior, but total turnover increased by 119.8 percent. Compared to international standards, overall liquidity of the market is modest for entering and/or exiting sizeable positions. Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007.

There are no legal barriers to the free flow of financial resources into the products and factor markets. The Central Bank respects IMF Article VIII and does not impose restrictions on payments and transfers for current
international transactions. A variety of credit instruments are provided at market rates to both domestic and foreign companies.

**Money and Banking System**

In its regular report on Article IV consultations, published January 2019, the International Monetary Fund assessed that North Macedonia’s banking sector is well-capitalized, liquid, profitable, and banks comfortably meet capital adequacy requirements and maintain sound aggregate liquidity buffers. 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.

Financial resources are almost entirely managed through North Macedonia’s banking system, consisting of 15 banks and a central bank. It is a highly concentrated system, with the three largest banks controlling 57.1 percent of the banking sector’s total assets of about USD9.2 billion, and collecting 69.6 percent of total household deposits. The largest commercial bank in the country has estimated total assets of about USD 2 billion, and the second largest of about USD 1.7 billion. The nine smallest banks, which have individual market share of less than 5 percent, account for one-fifth of total banking sector assets. Foreign banks or branches are allowed to establish operations in the country at equal terms as domestic operations, subject to licensing and prudent supervision from the Central Bank. In 2018, foreign capital remained present in 14 of North Macedonia’s 15 banks, and was dominant in 11 banks, controlling 71.1 percent of total banking sector assets, 79.9 percent of total loans, and 70 percent of total deposits.

According to the National Bank of the Republic of North Macedonia (NBRNM – the Central Bank) the banking sector’s non-performing loans at the end of the third quarter of 2018 (latest available data) were 5 percent of total loans, dropping by 1.6 percentage points on an annual basis. Total profits at the end of the third quarter of 2018 reached USD 144 million, which was 66.2 percent higher than in the same period of the previous year.

Banks’ liquid assets at the end of the third quarter of 2018 were 30.6 percent of total assets, which was 1.1 percentage points higher compared to the same period of 2017, remaining comfortably high. In 2018 NBRNM conducted different stress-test scenarios on the banking sector’s sensitivity to increased credit risk, liquidity shocks, and insolvency shocks, all of which showed that the banking sector is healthy and resilient to shocks, with a capital adequacy ratio remaining above the legally required minimum of eight percent. The actual capital adequacy ratio of the banking sector at the end of September 2018 was 16.3 percent, 0.5 percent higher compared to the same period of the previous year. Only one individual bank had a ratio below the required minimum.

There are no restrictions on the ability of foreigners to establish bank accounts. All commercial banks and the Central Bank have established and maintain correspondent banking relationships with foreign banks. The banking sector did not lose any correspondent banking relationships in the past three years, nor were there any indications that any current correspondent banking relationships was in jeopardy. There is no intention for implementing or allowing the implementation of blockchain technologies in banking transactions in North Macedonia. Also, alternative financial services do not exist in the economy—the transaction settlement mechanism is solely through the banking sector.

**Foreign Exchange and Remittances**

*Foreign Exchange*

The constitution provides for free transfer, conversion, and repatriation of investment capital and profits by foreign investors. Funds associated with any form of investment can be freely converted into other currencies. Conversion of most foreign currencies is possible at market terms on the official foreign exchange market.
addition to banks and savings houses, numerous authorized exchange offices also provide exchange services. The NBRNM operates the foreign exchange market, but participates on an equal basis with other entities. There are no restrictions on the purchase of foreign currency.

Parallel foreign exchange markets do not exist in the country, largely due to the long-term stability of the national currency, the Denar (MKD). The Denar is convertible domestically, but is not convertible on foreign exchange markets. The NBRNM is pursuing a strategy of a pegged Denar to the Euro and has successfully kept it at the same level since 1997. Required foreign currency reserves are spelled out in the banking law.

Remittance Policies
There were no changes in investment remittance policies, and there are no immediate plans for changes to the regulations. By law, foreign investors are entitled to transfer profits and income without being subject to a transfer tax. All types of investment returns are generally remitted within three working days. There are no legal limitations on private financial transfers to and from North Macedonia. Remittances from workers in the diaspora represent a significant source of income for households in North Macedonia. In 2018, net private transfers amounted to USD 2 billion, accounting for 15.8 percent of GDP.

Sovereign Wealth Funds
North Macedonia does not have a sovereign wealth fund.

7. State-Owned Enterprises

There are about 120 State Owned Enterprises (SOEs) in North Macedonia, the majority of which are public utilities in which the central government is the majority shareholder. The 81 local governments also own local public utility enterprises. In March 2018, the government estimated that about 8,600 people are employed in SOEs. SOEs operate in several sectors of the economy including energy, transportation, and media. There are also industries such as arms production and narcotics in which private enterprises may not operate without government approval. 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 are allowed to purchase or supply goods or services from the private sector and are not given non-market based advantages, such as preferential access to land and raw materials.

There is no published registry with complete information on all SOEs in the country.

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.” When it took office in June 2017, the new government declared it would change that practice. Following reports in 2018 and 2019 that party members and family were being hired in SOEs, the government announced it would review SOE hiring decisions. As a result of the review, several individuals have already resigned. North Macedonia is not a signatory to the OECD Guidelines on Corporate Governance for SOEs. In February 2018 the government sent its bid to the World Trade Organization to upgrade its status from observer to a fully-fledged member of the Government Procurement Agreement (GPA). The process is ongoing.
Privatization Program

North Macedonia's privatization process is almost complete, and private capital is dominant in the market. The government is trying to sell two remaining state-owned loss-making companies in a non-discriminatory process through international tenders. Foreign and domestic investors have equal opportunity to participate in the privatization of the remaining state-owned assets through an easily understandable, non-discriminatory, and transparent public bidding process. Neither the central government nor any local government has announced plans to fully or partially privatize any of the utility companies or SOEs in their ownership.

8. Responsible Business Conduct

Responsible business conduct (RBC) is a nascent concept in North Macedonia. The government has not taken any major measures to encourage RBC and has not defined RBC or policies to actively promote or encourage it. The government has not conducted a “National Action Plan” on RBC and does not factor RBC policies into its procurement decisions.

There have not been any high-profile controversial instances of private sector impact on human rights or resolution of such cases in the recent past. In the past, the government of North Macedonia has failed to fully enforce laws related to labor rights, consumer protection, environmental protections, and other laws and regulations intended to protect individuals from adverse business impacts.

North Macedonia passed the Law on Trade Companies in 2004 and the Securities Law in 2005 that govern corporate governance. Together these laws provide a clear distinction between the rights and duties of shareholders and the operations and management of the company. Shareholders generally cannot be held liable for the acts or omissions of the company.

The American Chamber of Commerce in North Macedonia has a committee on Community Engagement and Responsible Business Conduct, which, beginning in 2015, organizes seminars on relevant topics and maintains an online database of corporate social responsibility activities carried out by over 260 companies (http://csr.amcham.com.mk/). The government does not take any measures to encourage adherence to the OECD Due Diligence Guidance for Responsibility Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. North Macedonia does not participate in the Extractive Industries Transparency Initiative.

9. Corruption

North Macedonia has laws intended to counter bribery, abuse of official position, and conflicts-of-interest; government officials and their closer relatives are legally required to disclose their income and assets. However, enforcement of anti-corruption laws has at times been weak and selectively targeted government critics and low-level offenders. There have been credible allegations of corruption in law enforcement, the judiciary, and many other sectors. The State Commission for Prevention of Corruption (https://www.dksk.mk/index.php?id=home), established in 2002 to prevent corruption and conflicts of interest did not function from March 2018 until February 2019 due to the resignation of its members after
media revealed excessive and fraudulent travel invoicing. Following the passage of new anticorruption legislation in January 2019 and the appointment of new commissioners in February 2019, the commission has restarted its work. The Special Prosecutor's Office (SPO) was established in 2015 to investigate cases linked to a wiretapping scandal that revealed extensive abuse of office by public officials, including alleged corruption in public tenders. In the 2018 Corruption Perception Index, Transparency International ranked North Macedonia 93rd out of 180 countries on the, an improvement of 14 places from 2017.

To deter corruption, the government uses an automated electronic customs clearance process, which allows businesses to monitor the status of their applications. In order to raise transparency and accountability in public procurement, the Bureau for Public Procurement introduced an electronic system that allows publication of notices from domestic and international institutions, preview of tender documentation without registration in the system, e-payment for use of the system, electronic archiving, and the electronic submission of complaints. https://www.e-nabavki.gov.mk/PublicAccess/Home.aspx#/home

The government does not require private companies to establish internal codes of conduct prohibiting bribery of public officials. A number of NGOs focus on anti-corruption, transparency in public finances, and tendering procedures. There are frequent reports of nepotism in public tenders. The government does not provide any special protections to NGOs involved in investigating corruption. North 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.

Many businesses operating in North Macedonia, including some U.S. businesses, identified corruption as a problem in government tenders and in the judiciary. No local firms or non-profit groups provide vetting services of potential local investment partners. Foreign companies often hire local attorneys, who have knowledge of local industrial sectors and access to the Central Registry and business associations, and can provide financial and background information on local businesses and potential partners.

Resources to Report Corruption

Contacts at government agency or agencies are responsible for combating corruption:

State Commission for Prevention of Corruption
Ms. Biljana Ivanovska, President
Dame Gruev 1
1000 Skopje, North Macedonia
+389 2 321 5377
dksk@dksk.org.mk

Public Prosecution Office for Fighting Organized Crime and Corruption
Ms. Vilma Ruskovska, Chief

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10. Political and Security Environment

North Macedonia generally has been free from political violence over the past decade, although interethnic relations are strained at times. Public protests, demonstrations, and strikes occur sporadically, and often result in disruptions, particularly near the center of Skopje.

On April 27, 2017 after a majority of parliament members elected Talat Xhaferi as Speaker, an organized attack leveraged ongoing protests to storm the parliament building. More than 100 people were injured, including the now Prime Minister and seven MPs. On March 18, 2019, 16 individuals were convicted and given lengthy prison sentences for their involvement in the attacks, including the former head of the Department of Public Security Bureau (who had previously served as Minister of Interior), former security officers, and others. Prosecutors are conducting a separate investigation into the organizers of the parliament attack, and named former Prime Minister Nikola Gruevski, the former Speaker of Parliament, two former ministers, and a former director of the Department of Security and Counterintelligence service as parties of interest in the investigation.
There is no widespread anti-American or anti-Western sentiment in North 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.

11. Labor Policies and Practices

Foreign investors, especially those in labor-intensive industries, find North Macedonia’s competitive labor costs and high number of English speakers attractive. The average net wage in 2018 was USD 470 per month, but reportedly about 60 percent of workers receive wages lower than that average. In July 2018, the minimum net wage was raised to MKD 12,165 (USD 183) per month. The government has promised to raise the minimum wage to MKD 16,000 (USD 320) per month by the end of its mandate in 2020.

In 2018, North Macedonia’s labor force consisted of 957,623 people, of which 759,054 (45.1 percent) were officially employed and 198,569 (20.7 percent) were officially unemployed. North Macedonia’s employed labor force is roughly 60.4 percent male and 39.6 percent female. The largest number of employees are engaged in manufacturing, agriculture, and trade. The total unemployment rate for youth ages 15 to 24 years old is 45 percent. About 20 percent of the unemployed have a university education. Informal sectors of the economy, including agriculture, are estimated to account for 22 percent of employment.

Despite the relatively high unemployment rate, foreign investors 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, switch to outsourcing, or choose to work outside the country. 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. The Operational Plan for Active Programs and Measures for Employment and Services in the Labor Market for 2019 (http://av.gov.mk/operativen-plan.aspx) defines programs and services for employment that will stimulate job creation, provide subsidies for companies creating new jobs, and deliver vocational training for unemployed persons.

Relations between employees and employers are regulated by individual employment contracts, collective agreements, and labor legislation. The Law on Working Relations regulates all forms of employment relations between employees and employers to include retirement, lay-offs, and union operations. Severance and unemployment insurance are also covered by the same law. 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.

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, salary, and pay schedule.

The law establishes a 40-hour work week 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.

Trade unions are interest-based, legally autonomous labor organizations. Membership is voluntary and activities are financed by membership dues. About 22 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, with the exception of 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 North Macedonia and representatives from relevant government 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.

The rights of workers in the industry branches are regulated by the National Collective Bargaining Agreements, and there are two on the national level - one for the public and one for private sectors. Only about 25 percent of the labor force are covered by these agreements. 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. Separate contracts are negotiated by union branches at the industry or company level. Collective bargaining agreements are most prevalent in the metal industry, private sector education, and court administration.

An out-of-court mechanism for labor dispute resolution was introduced in 2015 with assistance from the ILO. North Macedonia's labor regulations comply with international labor standards and are in line with the ILO. In 2018, the Government adopted a number of changes in the Law on Labor relations, most of which related to workers' rights in procedures for termination of work contracts and severance pay.

12. OPIC and Other Investment Insurance Programs

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

OPIC insurance and project financing have been available to investors in North 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.

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.

13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

<table>
<thead>
<tr>
<th>Host Country</th>
<th>2018</th>
<th>Amount</th>
<th>2017</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP) ($M USD)</td>
<td>$12,657</td>
<td>2017</td>
<td>$11,284</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>U.S. FDI in partner country (USD, stock positions)</th>
<th>2018</th>
<th>2017</th>
<th>$101</th>
<th>$43</th>
</tr>
</thead>
<tbody>
<tr>
<td>Host country's FDI in the United States (USD, stock positions)</td>
<td>2017</td>
<td>2017</td>
<td>$0.1</td>
<td>$0</td>
</tr>
<tr>
<td>Total inbound stock of FDI as % host GDP</td>
<td>2018</td>
<td>2017</td>
<td>51.7%</td>
<td>53.5%</td>
</tr>
</tbody>
</table>


* Source for Host Country Data: State Statistical Office (SSO) publishes data estimates on GDP; National Bank of the Republic of North Macedonia (NBRNM) publishes data on FDI. Data is publicly available online, and is published immediately upon processing with a lag of less than one quarter. End-year data for previous year is usually published in March of current year.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

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

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inward</td>
<td>5,634</td>
</tr>
<tr>
<td>Austria</td>
<td>764</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>638</td>
</tr>
<tr>
<td>Greece</td>
<td>568</td>
</tr>
<tr>
<td>Netherlands</td>
<td>450</td>
</tr>
<tr>
<td>Serbia</td>
<td>62</td>
</tr>
<tr>
<td>Netherlands</td>
<td>37</td>
</tr>
<tr>
<td>Slovenia</td>
<td>26</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>18.3%</td>
</tr>
</tbody>
</table>
Slovenia 388 6.9% | Russia 8 10.5%

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

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets

<table>
<thead>
<tr>
<th>Total</th>
<th>Equity Securities</th>
<th>Total Debt Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>All Countries</td>
<td>All Countries</td>
</tr>
<tr>
<td>360</td>
<td>331</td>
<td>29</td>
</tr>
<tr>
<td>71.4%</td>
<td>75.5%</td>
<td>100%</td>
</tr>
<tr>
<td>United States</td>
<td>United States</td>
<td>Austria</td>
</tr>
<tr>
<td>257</td>
<td>250</td>
<td>13</td>
</tr>
<tr>
<td>71.4%</td>
<td>75.5%</td>
<td>44.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>Germany</td>
<td>United States</td>
</tr>
<tr>
<td>52</td>
<td>52</td>
<td>7</td>
</tr>
<tr>
<td>14.4%</td>
<td>15.7%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Austria</td>
<td>France</td>
<td>Russia</td>
</tr>
<tr>
<td>13</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>3.6%</td>
<td>3.6%</td>
<td>10.3%</td>
</tr>
<tr>
<td>France</td>
<td>International Organizations</td>
<td>Montenegro</td>
</tr>
<tr>
<td>12</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>3.3%</td>
<td>1.8%</td>
<td>6.9%</td>
</tr>
<tr>
<td>International Organizations</td>
<td>Switzerland</td>
<td>Ireland</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>1.7%</td>
<td>1.2%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

The results from the International Monetary Fund (IMF) are consistent with host country data. Sources of portfolio investments are not tax heavens.

14. Contact for More Information

Arben Gega
Commercial Specialist
U.S. Embassy - Skopje
Samoilova 21
Trade and Project Financing

Methods of Payment

Standard international methods of payment are used in North 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 days. Letters of credit and bills of exchange are used in shipment payments. As with any international transaction, 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.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems

The financial system in Macedonia consists of the National Bank of the Republic of North Macedonia (NBRNM), 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. NBRNM is the independent money-issuing institution responsible for price stability, stability of the national currency (denar), stability of the financial system, liquidity of payments within the country and abroad, and the conduct of monetary policy and foreign exchange policy. The Supervision Department at NBRNM serves as the main regulatory body responsible for the supervision of all banking institutions and savings houses.

The main goal of NBRNM'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. Twice a year, NBRNM prepares monetary and foreign exchange projections and reports, which are publicly available.

The banking system in North Macedonia consists of 14 private banks, one state-owned bank (Macedonian Bank for Development Promotion), and two savings houses. According to the Banking Law, banks observe the principles of profit maximization, liquidity, safety, and profitability. A foreign bank can have a presence either as a legal entity or by opening a branch or a representative office. In 2018, foreign capital was present in 14 and was dominant in 11 banks, controlling 71.6 percent of total banking sector assets, 80 percent of total loans, and 71.8 percent of total deposits. The operations of non-bank financial institutions are regulated by the provisions of the previous Banking Law and appropriate sub-laws.

The three largest banks, Komercijalna Banka, NBG Stopanska Banka Skopje, and NLB Bank, hold 57.3 percent of total assets, 49.9 percent of total loans, and collect 50.7 percent of total deposits. The nine smallest banks,
which have individual market share of less than five percent, account for one-fifth of total banking sector assets. The savings houses’ shares in total assets of deposit-taking institutions in 2018 was 0.4 percent, in total loans 0.5 percent, and in total household deposits 0.4 percent.

In 2018, total deposits increased by 9.4 percent, nearly twice as much as 2017 (5.1 percent). Household deposits grew by 9.5 percent, while enterprise deposits increased by 9.2 percent. Total loans to enterprises and households grew by 7.6 percent on an annual basis, mostly due to a 10.4 percent increase in loans to households, while loans to enterprises increased by 4.7 percent. Banks’ liquid assets in 2018 were 30.6 percent of total assets, 0.8 percentage points higher compared to the previous year. 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 increased from 15.7 percent in 2017 to 16.5 percent at the end of 2018. The overall non-performing loan (NPL) ratio was 5.2 percent, dropping 1.3 percentage points from the previous year. The NPL ratio of the household sector remained low at 2.3 percent, while the corporate sector improved to 8 percent.

In 2018 NBRNM conducted regular stress-tests on banking sector sensitivity to different risks. All tests showed that the banking sector is healthy and resilient to such shocks, with its capital adequacy ratio remaining well above the legally required minimum of eight percent in all scenarios. Banking supervision is in full compliance with BASEL 2 recommendations, and it is currently implementing provisions of BASEL 3 standards.

In 2018, total assets of North Macedonia’s banking sector reached $9.5 billion, a 9 percentage point increase over 2017. Only one small bank was not profitable in 2018, and the banking sector’s overall profitability reached $158.5 million, which was 27.4 percent higher compared to the previous year. Profitability indicators in 2018 improved over the previous year: ROE (return on equity) reached 16 percent, while ROA (return on assets) was 1.7 percent. At the end of 2018, the banking sector employed 5,933 people, which is a slight increase of four employees compared to 2017.

Although considerably improved over the past several years, North 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 is still subject to significant collateral in the form of real estate, which often is appraised by the banks at lower than market value. Overall customer service 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 cut by 100 basis points in just over a year, and now stands at 2.25 percent. The weighted average lending rate of the banking system in 2018 was 5.5 percent, while the weighted average deposit rate was 1.4 percent.

For more detailed information about various aspects of the banking system and its performance, NBRNM publishes annual and quarterly reports on banking supervision as well as other data and information on its website.

**Foreign Exchange Controls**

North Macedonia does not restrict reinvestment or repatriation of profits and investment capital. Foreign investors are entitled to transfer profits and income without 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 North Macedonia.

Major Banks in North Macedonia

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

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

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

Ohridska Banka - Societe Generale Group
Orce Nikolov 54
1000 Skopje, Republic of North Macedonia
Tel: 389-2-316-7600
Fax: 389-2-311-7164

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

**ProCredit Bank**
Manapo bb
1000 Skopje, Republic of North Macedonia
Tel: 389-2-324-6000
Fax: 389-2-321-9901

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

**Macedonian Bank for Development Promotion**
Dimitrie Cupovski 26
1000 Skopje, Republic of North 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 (USTDA), 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 to 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
- United States 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**

North 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 North Macedonia is like that in the United States. Establishing a good business relationship in North Macedonia requires the creation of trust. Meetings over coffee, lunch, and dinner are important for getting acquainted and developing trust.

Traditional business 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

Fax: + 389-2-310-2299

Protests have occasionally devolved into localized violent incidents. Public protests, demonstrations, and strikes occur sporadically in North 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 North 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 North Macedonia's Border Police strictly enforce the 90-day limit.

U.S. companies that require foreign businesspersons to travel to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s):

- State Department Visa Website
- U.S. Embassy – Skopje, North Macedonia

Currency

The Macedonian denar (MKD) is the official currency of North 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 North Macedonia.

Telecommunications/Electronics

Fixed telephony is available in all towns. Visitors may rent a cell phone on arrival. GSM phones will work in North 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/Deutche Telekom and the Government of North Macedonia) and one.Vip (owned by Telekom Austria Group). Both telecom service providers are deploying 3G and 4G mobile telecommunications technology.

North Macedonia's international calling code is +389 when dialing North Macedonia from outside the country. The international call prefix for calls from North 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 North Macedonia is 230 V, with a frequency of 50 Hz. European plug types C and F are used.

Transportation

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

North Macedonia has two commercial airports. Turkish company TAV operates both airports on contract: http://www.airports.com.mk/default.aspx?ItemID=345

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 North 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 North Macedonia, the U.S. Federal Aviation Administration (FAA) has not assessed the Government of North 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  
Aegean Airlines  
Alitalia  
Air Serbia  
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 North Macedonia requires excellent defensive driving skills. 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
Public Transportation

Public transportation such as buses and trains is available and inexpensive, but may be unreliable, dilapidated, and may not meet U.S. safety standards.

North Macedonia has a limited rail network that is not typically used by visitors. North 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 North 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 North 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 North 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 North 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

2019 Holidays:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>January 1</td>
<td>New Year’s Day</td>
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<tr>
<td>January 7</td>
<td>Orthodox Christmas</td>
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<tr>
<td>April 29</td>
<td>Orthodox Easter</td>
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<tr>
<td>May 1</td>
<td>Labor Day</td>
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<tr>
<td>May 24</td>
<td>Saints Cyril and Methodius Day</td>
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<tr>
<td>June 4</td>
<td>Ramadan Bajram (Eid al-Fitr)</td>
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<tr>
<td>August 2</td>
<td>Ilinden Uprising Day</td>
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<tr>
<td>September 9</td>
<td>Independence Day</td>
</tr>
<tr>
<td>October 11</td>
<td>People’s Uprising Against Fascism</td>
</tr>
<tr>
<td>October 23</td>
<td>Revolutionary Struggle Day</td>
</tr>
<tr>
<td>December 9</td>
<td>Saint Clement of Ohrid Day</td>
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</tbody>
</table>

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 North 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 North 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