



Doing Business in Macedonia:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Macedonia

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Market Overview

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- Macedonia continues to take steps to attract foreign direct investment (FDI). Follow-through and rule of law issues, however, remain concerns.
- The European Union granted Macedonia candidate status in 2005, and the country is implementing additional reforms to meet the requirements of EU membership.
- Macedonia remains committed to joining NATO and is actively participating in NATO-led operations.
- Macedonia has maintained a sound macroeconomic foundation for the past several years. Inflation is low, 2.8 percent in 2013, and the government budget deficit in 2013 was 4.1 percent of GDP. The currency is stable and pegged to the euro.
- In May 2013, Standard and Poor's lowered its sovereign credit rating for both foreign currency and local currency debt for Macedonia from "BB" to "BB - ." In 2014, Fitch Ratings confirmed its long-term credit rating of the country for both foreign and local currency at "BB+" with a stable outlook.
- Macedonia is open to international trade, with total 2013 trade (imports plus exports) reaching USD 10.9 billion, or 106.3 percent of GDP.
- In 2013, U.S. – Macedonia bilateral trade totaled USD 118.7 million, of which U.S. exports were USD 56.6 million. This is an increase in U.S. exports to Macedonia of almost 170 percent compared to 2012.

Market Challenges

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- There are no legal barriers to foreign businesses entering Macedonia. In fact, the law provides incentives for foreign investment, and the government is actively promoting Macedonia as a desirable investment location. The World Bank's 2014 Ease of Doing Business report ranked Macedonia as the 25th best country in the world in which to do business. However, challenges to doing business in Macedonia remain:

- The country's weak judicial system and significant levels of corruption present challenges. While reforms of the legal system are still underway, the courts are slow, inefficient, and subject to political pressure and corruption, making it difficult in some instances to enforce contracts. Some companies complain that the inspections regime is extortionate and sometimes is used to punish perceived political enemies.
 - There is excessive "red-tape" in the public administration. The government recognizes this is a barrier to investment and is working to ease the regulatory burden.
 - Enforcement of intellectual property rights is weak and inconsistent.
 - The cadastre system of real estate property titles is poorly maintained and incomplete. An ongoing reform program is addressing this challenge.
 - There are limited air transport links and an uncompetitive airline transportation market. Macedonia has ratified the European Common Aviation Agreement, which should have helped liberalize the market. An Open Skies Agreement with the U.S. was signed in August 2012, but no carriers have shown an interest in providing direct commercial flights.

Market Opportunities

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- The most successful U.S. trade products in Macedonia have been frozen meat products, computer hardware and software, pharmacological products and equipment, and specialized technology. **Energy** – The government has privatized some energy assets and intends to provide concessions for other energy opportunities. The private electricity distribution company continues to make substantial infrastructure investments.
- **Transportation** – As Macedonia upgrades its transportation infrastructure, there are opportunities in this sector.
- **Information Technology and Computers** – This growing sector continues to provide opportunities for U.S. companies.
- **Construction** – There are both export and investment opportunities available for U.S. companies in the construction and building materials sector.
- **Tourism** – The country's geographical location, scenic areas, and historic and religious sites provide opportunities for tourism industry investment, development, and management.
- **Agriculture** – Agriculture is an important segment of the economy, and there are opportunities for trade and investment in agricultural and food processing equipment.

Market Entry Strategy

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

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

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Chapter 2: Political and Economic Environment

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

<http://www.state.gov/r/pa/ei/bgn/26759.htm>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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

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

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

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

Establishing an Office

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As specified by the Company Law (Official Gazette No. 28/2004; 84/2005; 25/2007; 87/2008); the following forms of business can be established in Macedonia: general partnership, limited partnership, limited liability company, joint-stock company, limited partnership by shares, and sole proprietors. We strongly suggest that anyone interested in opening a business in Macedonia review the company registration process at (http://www.investinmacedonia.com/sites/invest/files/content_file/Registering%20a%20Company%20in%20Macedonia.pdf) and work with a reputable local business consultant or attorney.

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

Total initial cost of establishing business office is approximately USD 200.

Franchising

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

A McDonald's franchise in Macedonia operated seven restaurants from 1997-2013 when the business partnership between two franchise owners became unworkable, and the McDonald's corporation revoked the franchise license. The dispute is currently in arbitration.

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

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

Direct Marketing

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Direct marketing is not well developed in Macedonia. Direct marketing techniques need to be refined and legislation for consumer protection strengthened. Rural mail deliveries are sometimes unreliable, however, and rural people generally prefer to deal with local vendors. AVON has found success in the direct sale of cosmetics. Currently, at least one business is using the television home shopping channel, "Teleshop," to sell sports equipment, kitchen tools, household cleaning products and health and beauty supplies. Internet marketing is an insignificant portion of the advertising market. Telemarketing is not generally used in Macedonia.

Direct marketing through the internet from the United States to Macedonia is still quite difficult. Credit card use in Macedonia lags behind other countries in the region. With increased confidence in the banking system, debit cards are becoming increasingly popular. Due to low purchasing power, the high cost of shipping, and lack of security for parcels and mail at most homes, catalog shopping and internet shopping from the United States is in its infancy. However, e-commerce is expected to grow in Macedonia over the long term.

Joint Ventures/Licensing

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

Selling to the Government

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In November 2007, the Law on Public Procurement was adopted (Official Gazette 136/2007 – http://bjn.gov.mk/bjn-portal/wordpress/?attachment_id=734) to help increase the transparency of the government's tendering procedures, to provide consistency with other legislation and to strengthen the legal protection of bidders. The Law on Public Procurement was prepared with U.S. Agency for International Development (<http://www.usaid.gov>) assistance.

Some tenders are restricted to domestic companies, and foreign companies are ineligible to participate (especially in the areas of defense). By law, both local and foreign potential providers are treated equally. However, experience has shown that the tendering process is not consistently transparent. Requests for assistance regarding the tendering process can be directed to Mr. Arben Gega, Commercial Specialist at the U.S. Embassy in Skopje, via gegaa@state.gov.

The central government, municipal institutions and agencies, or any entity receiving budgetary funds must use public procurement procedures. A simple tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases) must precede the contract to ensure competitiveness, equal opportunity and fairness. Companies should review tender specifications closely to ensure that they are not written to limit competition ("lockout" specifications).

Tenders financed by the World Bank and other international financial institutions must be conducted pursuant to the respective organization's procurement guidelines. This means that the tendering process is conducted in an open and transparent manner, with the emphasis on meeting tender specifications and price competitiveness. Requests for assistance regarding the World Bank tendering process can be addressed to the U.S. Executive Director's Office at the World Bank in Washington DC.

Distribution and Sales Channels

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Although Macedonia is a small market, and there are no major distribution or warehousing operations, it has the potential to be a gateway to the markets of Central and Eastern Europe by virtue of its strategic location.

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

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

Selling Factors/Techniques

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

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

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

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

E-commerce transaction volume in Macedonia is low, both for internet merchants, who sell products online, and consumers, who shop online.

On the consumer side, the biggest issues have been relatively low internet penetration for many years and the low penetration of e-commerce enabled credit cards. In addition, due to security concerns stemming from fear of identity theft, internet transactions originating in Macedonia have been blocked by several major e-commerce sites, such as eBay and Paypal.

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

- Law on Electronic Commerce (http://www.mio.gov.mk/files/pdf/en/Law_on_%20e-Commerce_2007_REV_final.pdf);
- Law on Electronic Data and Electronic Signature;
- Electronic Communications Law;
- Law on Value Added Tax;
- Law on Consumer Protection;
- Trade Law;
- Law on Payment System;
- Law on Registration of Cash Payments;
- Regulation on Exemption from Customs Duties.

As Macedonia is harmonizing its legislation with that of the European Union (EU), it has also adopted the EU Directive 2000/31/EC on electronic commerce and communication by the European Commission: European Initiative in Electronic Commerce (<ftp://ftp.cordis.europa.eu/pub/esprit/docs/ecomcom.pdf>).

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

Broadcast Media – In addition to the state-owned broadcaster which is funded largely from the national budget and government advertising, there are five private television stations with national coverage, five national television stations broadcasting via satellite, and 52 private local and regional television stations. Cable TV is increasingly popular with growing numbers of regional stations. There are 64 radio stations.

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

All major broadcast and print media offer up-to-date web editions and there is a growing number of online media outlets. Social media networks are growing, especially FaceBook which boasts over 800,000 registered users.

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Fax: 389-2-308-9258
E-mail: marketing@utrinski.com.mk
Website: www.utrinski.com.mk

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

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

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

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

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

- www.yellowpages.com.mk
- www.zlatnakniga.com.mk

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

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

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

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

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

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

Pricing

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According to official March 2014 data, per capita monthly income in Macedonia is 21,007 denars (approximately USD 464). Consumers are extremely price sensitive. Imported products tend to be priced substantially higher than locally produced goods. As mentioned earlier, favorable financing may be a critical selling factor for big-ticket items. An 18 percent value added tax (VAT) is charged on most goods and services.

Sales Service/Customer Support

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

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

IPR Climate in Macedonia

Intellectual Property Rights are covered by the Law on Industrial Property, enacted in 2009 (harmonized with EU legislation); the Law for Authors and Common Rights, adopted in 2010; and the Law on Customs Measures for Protection of IPR, enacted in 2006, and amended in 2013. The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models and samples. The protection of author's rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. In addition, the State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods and has the right to seize suspected pirated or counterfeit goods.

Under the Law on Customs Measures for Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods and offers registered trademark holders an opportunity to register their trademarks within the Customs database. Customs has the right to preemptively seize suspected goods, preventing their further distribution pending final disposition. Once goods are seized, Customs is obligated to contact the registered rights holder to confirm their legitimacy. If the rights holder can prove the goods are counterfeit, the case is transferred to the prosecution and courts. Otherwise, the goods are released and no legal action is taken against the importer or trader. While this investigation takes place, all expenses are borne by the rights holder, even if the goods are confirmed as legitimate. If the rights holder confirms the counterfeit nature of the goods and the counterfeit owner signs a consent form, the goods are automatically transferred to the rights holder for disposal. A non-response from the owner of the counterfeits after 10 days is equivalent to their consent.

The penalties for IPR infringement depend on the violation. In order of severity, the penalties can include: 30 - 60 days closure for businesses caught selling counterfeit or pirated goods, fines of up to 5,000 euro, or a prison sentence of up to 3 years. IPR cases are not handled by specialized courts. The latest amendments to the Criminal Code expanded the IPR violations subject to criminal charges to bring Macedonia in line with the relevant international conventions on intellectual property and related rights protection.

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

Macedonia's accession to the WTO in April 2003 underscored the urgent need for the government to prevent copyright infringement. The first step in that direction was taken in 2002 when the Government reached an agreement with Microsoft to legalize all government software. Over the past few years the Government has seized and destroyed significant quantities of counterfeit items and taken some legal actions against those who produce and sell counterfeit goods. Nevertheless, overall enforcement remains weak, and counterfeit goods remain common in shops and markets in Macedonia.

As an EU candidate country, Macedonia is obliged to harmonize its IPR laws and regulations with EU standards, and to demonstrate adequate enforcement of those laws. The Government's Secretariat for European Affairs is coordinating this effort.

Protecting Your Intellectual Property in Macedonia:

Several general principles are important for effective management of intellectual property (IP) rights in Macedonia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Macedonia than in the United States. Third, rights must be registered and enforced in Macedonia, under local laws. Your U.S. trademark and patent registrations will not protect you in Macedonia. There is no such thing as an "international copyright" that will automatically protect an author's work throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in Macedonia's market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Macedonia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Macedonia's law. The Embassy can provide a list of local lawyers upon request [See the [List of Attorneys](#).]

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights under the mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Macedonia require constant attention. Work with legal counsel familiar with Macedonia laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Macedonia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Macedonia at: geгаа@state.gov.

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

Local Professional ServicesLaw Association:

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The U.S. Embassy List of Attorneys
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<http://macedonia.usembassy.gov/>

<http://www.mla.org.mk/en/>

<http://www.deloitte.com>

<http://www.ey.com>

<http://www.kpmg.com.mk>

<http://www.pwc.com/mk/en>

<http://www.publicis-mk.com>

<http://www.aag.com.mk>

<http://www.amcham.com.mk>

<http://www.sojuzkomori.org.mk>

<http://www.oemvp.org>

<http://www.mchamber.org.mk>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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ENERGY

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Changes in the energy market in Macedonia are largely shaped by the liberalization of the energy market, regional cooperation and the restructuring of energy production.

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

In April 2006, Macedonia's state owned electric power distribution company – ESM (Elektrostopanstvo na Makedonija) was acquired by the Austrian utility company EVN, for over 200 million euros, with an obligation for EVN to invest an additional 96 million euros in the following 3 years.

The electric power production system in Macedonia consists of three thermal power plants with a total of 800 MW installed capacity and six hydro power plants with 530 MW installed capacity. There are two open pitch lignite mines with a total capacity of 7 million tons/year. The total annual production of electricity in the country is approximately 6,200 GWh, which satisfies about 80 percent of the total domestic energy needs. Macedonia is a full member of the Union for the Coordination of Production and Transmission of Electricity European Interconnection (UCPTE), which ensures interconnection compatibility with European electric power systems. The government is exploring the possibility of additional small scale and large scale hydro power plants.

A 213 km oil pipeline with a capacity of 2.5 million tons per year connects oil storage facilities at the port of Thessaloniki with Skopje's OKTA refinery. The OKTA refinery, which was originally created to meet the needs of all of southern Yugoslavia, has the capacity to meet not only the country's needs of approximately 1 million tons of refined

products per year, but to export refined products to neighboring areas as well. However, OKTA currently refines very little oil and primarily operates as an oil trader.

In addition to the Skopje-Thessaloniki pipeline, which follows European Transport Corridor 10, the U.S. consortium AMBO (Albanian-Macedonian-Bulgarian-Oil) has proposed a pipeline that would follow the east-west Corridor 8 route, linking the port of Burgas, on the Black Sea coast of Bulgaria, with the port of Vlore, on the Adriatic coast of Albania. The pipeline would transport oil from the Caspian region to markets in Western Europe and the United States. If this project is implemented, there could be substantial export and subcontracting opportunities for U.S. companies.

A natural gas transportation pipeline has been constructed to carry Russian gas from the Bulgarian border to Skopje. This pipeline currently supplies primarily industrial users, but several projects are planned to promote the gasification of urban areas. The government has also discussed the possibility of extending the pipeline to other Macedonian cities and is working to expand the gas distribution network.

Opportunities

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Following the privatization of electricity distribution system, the government has liberalized part of the electricity generation market. The Government is offering concessions for investment in hydropower facilities and other new energy generation opportunities. The law on energy is available at <http://www.energy-community.org/pls/portal/docs/850177.PDF>. There are also opportunities to promote more efficient use of electricity, through home insulation and installation of more efficient heaters and electromechanical devices. Also, liberal legislation provides opportunities for small projects and Individual Power Plant (IPP) construction and operation.

TRANSPORTATION

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Macedonia is situated in the center of the Balkan Peninsula at the intersection of several road and railway links. Macedonia has 8,200 kilometers of roadways (60 percent are paved and well maintained) and 700 kilometers of railways. Two Pan-European Transportation Corridors, Corridor 8 (east-west) and Corridor 10 (north-south) pass through Macedonia. Corridor 8 consists of the E-65 road from Varna, Bulgaria to Durrës, Albania via Skopje, Macedonia and Sofia, Bulgaria. Corridor 10 consists of the E-75 road from Athens, Greece via Skopje, Macedonia, Belgrade, Serbia, and Zagreb, Croatia to Munich, Germany.

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

Opportunities

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

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

Several foreign airline companies (Austrian Airlines, Adria Airways, Croatia Airlines, JAT, Turkish Airlines) fly into Macedonia's main airport near Skopje. Foreign carriers fly to Skopje from Vienna, Zurich, Ljubljana, Zagreb, Belgrade and Istanbul. U.S. companies have bid for contracts in the field of air transportation services, airport equipment and construction, and air navigation and control systems.

COMPUTERS AND INFORMATION TECHNOLOGY EQUIPMENT

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The computer and information technology (IT) sector in Macedonia is a promising area for U.S. IT companies. IT revenues for 2012 were close to USD 180 million, which was almost 5 percent decline compared to one year before. But with a slowly recovering economy in 2013, the local IT market grew by 1.5 percent. IT sector representatives expect it should continue to do better and reach a value of close to USD 230 million by 2016.

Most of the world's largest IT companies, such as Microsoft, Cisco, IBM, Oracle, Compaq, Hewlett Packard, Dell, Sun Microsystems, Apple, and Lotus, are present in Macedonia via branch offices, distributors, dealers, resellers, solution providers, and business partners.

Opportunities

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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 February 2005 (the Law on Electronic Communications; <http://www.aec.mk>), many opportunities exist to sell products and services in this market.

CONSTRUCTION AND BUILDING MATERIALS

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The construction industry in Macedonia is recognized for its skilled personnel and use of modern technology, especially in the area of civil engineering and hydro-construction.

For this reason, Macedonia has been a major supplier of construction services, with local firms working on small and large-scale projects in Central Europe, the Middle East and Russia.

According to data compiled from building materials manufacturers, building construction continues to grow rapidly. Macedonia also exports building materials, primarily to Kosovo, Albania, and Montenegro. The construction industry has a turnover of USD 400 million annually, 20 – 25 percent of which is spent on imported products, equipment and fixtures.

The construction industry has accounted for between five and eight percent of annual GDP for over a decade. Construction companies in Macedonia are versatile and skilled, designing and building roads, civil and military airports, bridges, high-rise buildings, industrial facilities, dams, tunnels, irrigation systems, water-supply systems, waste-treatment systems and purification facilities. Macedonian construction companies also provide expert studies, investment programs, and engineering and expert technical supervision of domestic projects.

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

HOTEL & RESTAURANT EQUIPMENT/TOURISM

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The tourism sector offers export and investment opportunities and has significant potential for future development. The country's geographical location, mild climate, and historic and religious sites provide favorable conditions for the development of the tourism industry. Macedonia has about 100 hotels, 10 campgrounds, 2 tourist settlements and in total, over 80,000 tourist beds. Macedonia has many tourist attractions, including three natural lakes (Lake Ohrid, Lake Prespa and Lake Dojran), and high mountains suitable for camping, hiking, and winter sports. The most popular tourist destination, which accounts for almost 80 percent of Macedonia's tourist revenues, is Lake Ohrid. The town of Ohrid, in an area of great natural beauty, also enjoys the protection of UNESCO as a historical/cultural heritage site. Most hotels need major repair and modernization. Tourists primarily come from Serbia, Bulgaria, Greece, Holland, and Germany.

U.S. franchise hotels, Holiday Inn and Best Western, are present in Skopje, and franchisees of Marriott Hotels and Double Tree by Hilton Hotels are building hotels, in Skopje.

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

AGRICULTURE

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The food and beverage industry is one of Macedonia's most promising sectors, based on previous performance and potential. Most of the food-processing facilities are in private hands. Agribusiness in Macedonia in 2012, including agriculture, forestry, and fisheries, accounts for 8.9 percent of GDP and 10 percent of the total number of persons employed in the country.

In 2013, the Government of Macedonia adopted a four year National Strategy for Agriculture and Rural Development 2013 - 2017 to strengthen the ability of the Macedonian agricultural sector to compete in the EU and other regional markets, and sustainable development of rural areas. Consequently, the total agriculture budget (including financial support to agriculture development and farmer's subsidies) has increased over 40 percent in 2007, to USD 49.3 million (exchange rate USD 1 = 41 MKD), and in 2014 reached USD 219 million (exchange rate USD 1 = 44 MKD). The government has promoted agriculture as one of the most important sectors for the development of the economy in Macedonia, and adopted and amended several agriculture related laws to comply with EU requirements.

Exports of agriculture and food products constitute 15.69 percent of Macedonia's total exports. The top export-import markets for agriculture and food products are the EU, Western Balkan Countries (Serbia, Kosovo, Croatia and Bosnia) and neighboring Bulgaria and Greece. The main export products from Macedonia are tobacco (35 percent of total agricultural exports), wine (15 percent of total agricultural exports), fresh and processed vegetables and fruits (10 percent), and lamb meat (5.7 percent). The main import products remain meat (beef, poultry and pork comprise 50 percent of the total agriculture imports), tobacco, edible oils, and grains. Exports to USA are 5,5 percent of total exports, and imports are 0,7 percent.

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

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

Sub-Sector best prospects:

Alcohol production: Macedonia produces approximately 1 million hectoliters of beer, mostly for domestic consumption, and approximately 1 million hectoliters of wine annually. Though Macedonia exports much of its wine in bulk, an emerging number of smaller private wineries are starting to export quality bottled wine. In 2013, export of bulk wine dropped from 85 percent to 81 percent in favor of bottled. Over 80 percent of domestic wine production is exported, mainly to the EU, former Yugoslav countries, China, Canada, Japan, and the United States. Export opportunities exist for U.S. companies for equipment that will increase the volume of wine bottled in Macedonia, and technology and supplies that will stimulate grape production.

Organic production: Organic farming is an area of expected development and interest both by domestic and foreign markets. In 2009, Macedonia adopted new Law on Organic Agricultural Production, which is harmonized with the European Regulations. In 2012, the Government has significantly increased financial support to the farmers (USD 2.8, dropped to USD 1.9 million), and initiated National Awareness Campaign to promote organic production to consumers. There are some 400 certified organic farms in the country, and they produce cereals, industrial oil crops, wine, fruits and vegetables.

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

Preserved fruits and vegetables: The food processing industry in Macedonia consists of 50 companies with a processing capacity of approximately 120,000 tons of vegetables and fruits per year. 91 percent of them process vegetables and 9 percent process fruits. The most significant raw materials are red peppers (53 percent), and industrial tomatoes, and sour cherries (4.7 percent), apples (63 percent of total fruit production in country) and plums (13.8 percent). Although the industry is export oriented, with over 80 percent of the production going to EU and neighboring markets, there is traditionally low level of utilization of the production capacity. This mainly reflects the discontinuity in supply of quality raw materials and steady contracts with suppliers, lack of skilled workers and difficult access to finances.

Opportunities

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

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

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

Meat: Macedonia has insufficient meat production, and number of farm animals is dropping year by year, and it satisfies over 50 percent of its meat consumption through imports. All of the poultry industry is focused on egg production, and although there is constant surplus of eggs, there is very little investment in processing facilities. The poultry meat production is so minimal that doesn't even satisfy the fresh meat market. Domestic pork industry satisfies 90 percent of the market for fresh meat, but the processing industry imports almost 100 percent of their needed quantities. There is a significant lack of bovine meat, as most of the cattle are dairy cows.

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

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- [Prohibited and Restricted Imports](#)
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Import Tariffs

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

Customs duties generally apply to most products imported into Macedonia. Preferential tariffs apply to countries with which Macedonia has signed a bilateral Free Trade Agreement, as well as to countries participating in multilateral trade agreements, such as the EU Stabilization and Association Agreement (SAA), European Free Trade Agreement (EFTA), Central European Free Trade Agreement (CEFTA). Customs tariffs in 2013, ranged from 0 – 35 percent, with an average tariff rate of 16 percent on agricultural products and 6.2 percent average rate on industrial products. The average nominal customs tariff rate for all products was 8.65 percent, while the weighted effective rate was 1.38%.

There are no tariffs applied on most raw materials. Excise duties apply to beer, cigarettes, mineral oils, tobacco, and passenger vehicles. Excise duties are determined by the type and quantity of the product and are levied in addition to the customs tariff. Custom tariff on new and used automobiles is 5 percent. However, there is no tariff on automobiles from EU countries. Likewise, as of 2011 there are no duties for industrial originating from EU, EFTA, CEFTA countries, and Turkey and Ukraine. There are variable levies for agricultural and food products as well. Other products, like tobacco, wine, and various fruits, are subject to import tariff quotas. Import quotas are provided

on a first-come-first-serve basis, and are distributed on the single window portal EXIM - www.exim.gov.mk.

In July 2013, as part of the efforts to harmonize regulation guidelines and to boost Macedonian companies' competitiveness, the Government of the Republic of Macedonia reduced customs duty rates on certain reproduction materials, primarily on unprocessed metals. Also, starting January 1, 2013, amendments to the Customs Tariff Law were adopted, reducing or abolishing customs duty rates for goods in 128 tariff categories. With Croatia exiting the CEFTA agreement and joining the EU in July 2013, Macedonia made necessary adjustments to customs tariff rates with that country, implementing in its trade with Croatia the existing regulations that apply to all other EU countries.

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 for agriculture production, medicines, medical and orthopedic equipment, public transportation, computer hardware and software, solar energy systems, and refined and unrefined oils for industrial use for foodstuff for human consumption are taxed at the preferential rate of 5 percent. For imports into Macedonia, the VAT is assessed on the CIF value of the goods plus the duty.

Trade Barriers

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

Import regulations are numerous and are not always available in English. In order to learn about customs duties, taxes and quality requirements for a specific product, U.S. exporters can consult the Customs Administration web page:

<http://www.customs.gov.mk> or contact freight forwarders or business consultants in Macedonia.

Import Requirements and Documentation

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

U.S. Export Controls

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

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

Temporary Entry

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Products may be imported into Macedonia on a temporary basis. The rules on temporary imports are contained in the Regulation for Application of the Law on Customs (Official Gazette No.39/2005).

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

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

Labeling and Marking Requirements

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

Prohibited and Restricted Imports

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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 Contact Information

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

Standards

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

Standards Organizations

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Standards are regulated and developed by the following institutions:

1. Regulatory functions:

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

2. Controlling functions:

- Customs Administration;
- State Market Inspectorate (Consumer Product Safety Authority).

3. Certification functions:

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

NIST Notify U.S. Service

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

Conformity Assessment

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Macedonia's main testing and conformity assessment bodies are:

- Standardization Institute;
- Institute for Accreditation;
- Bureau of Metrology.

Product Certification

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Product certification requirements are specified in the laws listed in Section Overview.

The Law on the protection and improvement of the environment (<http://faolex.fao.org/docs/pdf/mac105107.pdf>) regulates safety standards for import/export purposes. The Law on General Safety of Products was adopted in 2006, those providing a legal framework for non-food product safety. This law implements the following European Directives:

- General Product Safety directive (2001/95/EC);
- Low Voltage Directive (73/23/EEC);
- Toy Directive 98/378/EEC);
- Electromagnetic Compatibility (EMC) Directive (89/336/EEC);
- Personal Protective Equipment Directive (89/686/EEC);
- Gas Appliances Directive (90/396/EEC);
- Machine Directive (98/37/EC).

Accreditation

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

1. Laboratories for testing and calibration;
2. Organizations issuing product certifications;
3. Organizations issuing certificates for systems for quality;

4. Organizations issuing certificates for systems for protecting the environment;
5. Organizations issuing certificates for persons;
6. Organizations conducting supervision.

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

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

Institute for Accreditation of the Republic of Macedonia
Mr. Trpe Ristoski, Director
Kej Dimitar Vlahov IV, zgrada II, vlez III
1000 Skopje, Republic of Macedonia
Tel: 389-2-329-3080
Fax: 389-2-329-3089
E-Mail: trpe.ristoski@iarm.gov.mk

Publication of Technical Regulations

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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.

Labeling and Marking

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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.

Trade Agreements

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

Web Resources

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Ministry of Economy - <http://www.economy.gov.mk>

Ministry of Finance - <http://www.finance.gov.mk>

Ministry of Internal Affairs - <http://www.mvr.gov.mk>

Macedonian Customs Authority - <http://www.customs.gov.mk>

Secretariat for European Affairs - <http://www.sep.gov.mk/en/>

Standardization Institute - <http://www.isrm.gov.mk/>

Institute for Accreditation - <http://www.iarm.gov.mk/>

Bureau of Metrology - <http://www.bom.gov.mk/>

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Openness to Foreign Investment

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Attitude Toward FDI

Macedonia's economic development strategy relies heavily on attracting foreign direct investment (FDI). Follow-through and rule of law issues, however, remain concerns. The country has enacted legislation that not only provides roughly equal footing for foreign investors as compared to their domestic counterparts, but which also provides numerous incentives to attract such investment. Macedonia consistently provides national treatment to foreign investors. The country has concluded a number of bilateral investment protection treaties, but none with the United States. Macedonia has adopted other multilateral conventions that impose stricter standards of protection for foreign investors.

Macedonia does not have any regulatory or defensive measures directed against foreign investment. Similarly, there are no private or government efforts directed toward the restriction of foreign investment and participation in or control of domestic enterprises, consortia, or industrial organizations. On the contrary, since 2007 the GoM has run an expansive campaign to attract foreign investors. This campaign includes the promotion of Macedonia in many of the world's leading newspapers and magazines and frequent government-led roadshows. In addition to three Ministers for Foreign Investment who are responsible for attracting foreign investors, the government agency Invest Macedonia also markets the country to foreign investors. Invest Macedonia has over 25 resident economic promoters in foreign countries. Macedonia is in the process of

harmonizing its legal and regulatory systems with international, primarily European Union, standards.

Macedonia's legal and regulatory framework is generally favorable and Macedonia continues to implement market-based reforms. Challenges remain, however, for foreign and national investors. These include corruption, lack of transparency, lack of capacity, poor communication in and among ministries, and concerns about the rule of law and proper contract enforcement. Rule of law concerns include the judiciary's ability to efficiently and uniformly apply the law, even in high-profile cases. Many law enforcement actions demonstrate the appearance of impropriety and selective prosecution. Although many changes have been legislated, implementation is inconsistent. Macedonia's aspirations to join both NATO and the European Union remain stalled due to the protracted dispute with Greece over Macedonia's constitutional name. This has resulted in concerns about the country's future economic and political stability.

The Government of Macedonia is the largest employer in the country and constitutes one of the largest purchasers of goods and services. While efforts supported by the United States and other donors to safeguard transparency and fair dealing have met with some success, the public procurement and tendering processes remain prone to misuse. Many companies complain that tender procedures are frequently written to exclude or "fix" the competition. Often the conditions for bidding are changed during the tender process, leading some bidders to withdraw. The results of NGO studies on this topic are consistent with these anecdotal claims. For instance, nearly one in four public procurement tenders are cancelled and the number of bidders participating in annulled tenders is twice the number of companies participating in procedures where a winning bid was selected. E-Procurement procedures, which reduce the opportunity for corruption and the appearance of impropriety, have been effective and have gained international recognition, but efforts to expand their use must continue in order for Macedonia to realize their full benefit.

Laws/Regulations of FDI

The Constitution of the Republic of Macedonia guarantees equal position for all entities in the market and provides for free transfer and repatriation of investment capital and profits for foreign investors. Under Macedonian law, foreign and domestic investors have equal opportunity to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments. Rather, the legal framework is comprised of several laws including: the Trade Companies Law; the Securities Law; the Profit Tax Law; the Customs Law; the 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; and the Banking Law.

- The Trade Companies Law

This is the primary law regulating business activity in Macedonia. It defines the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are granted national treatment, and are entitled to establish and operate all types of private and joint-stock companies.

Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

- Law on Privatization of State-owned Capital

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

- Foreign Loan Relations Law

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

- Law on Investment Funds

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

- Law on Takeover of Shareholding Companies

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

- Law on Foreign Exchange Operations

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

- Profit Tax Law

The corporate profit tax rate is 10 percent. At the beginning of 2006, the GOM amended the Profit Tax Law and introduced a withholding tax on income of foreign legal entities.

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

Privatization Program

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

Macedonia's privatization process is almost complete and private capital is dominant in the market. The government is trying to sell four remaining loss-making companies through international tenders. There are about 15 state-owned companies, primarily public utilities. The government has not announced plans to sell shares in any of them.

Limits on Foreign Control

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

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

Investment Trends

The global economic crisis and the euro zone debt crisis caused a significant slowdown in FDI. FDI slumped from USD 463 million in 2011 to only USD 132 million in 2012, mainly due to the outflow of profits of foreign-owned companies and intercompany loans. However, in 2013, as the global economy recovered, FDI surged to USD 334 million. The increase in FDI was primarily because of additional investments from foreign companies expanding their operations in the free trade zones. Although the global economic crisis has undoubtedly played a role in limiting funds available for investment, corruption, rule of law concerns and stalled Euro-Atlantic integration have limited Macedonia's attractiveness as an investment destination. FDI accounted for only 3.1 percent of GDP in 2013, significantly improving from 1.4 percent of GDP in 2012.

Over the last year, Macedonia retained its high ranking in the World Bank's Ease of Doing Business Report, dropping two places from 23rd to 25th. Fitch reaffirmed Macedonia's BB+ credit rating. However, S&P downgraded Macedonia to BB-. Transparency International ranked Macedonia 67th out of 177 countries in perception of corruption.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(67 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(43 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(25 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(51 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 4,620	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Foreign Exchange

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

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

Remittance Policies

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

There are no legal limitations on private financial transfers from and to Macedonia. In fact, remittances are widely used by Macedonian diaspora and they represent a significant source of income for households. To a much lesser extent, remittances go out of Macedonia. In 2013 net remittances amounted to \$2 billion, accounting for 19.2 percent of GDP.

Expropriation and Compensation

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The Republic of Macedonia has not taken expropriation measures and there is no reason to believe that the government will take such action in the future. There has been no demonstrated tendency by the authorities to discriminate against U.S. investments. In fact, the government actively seeks out U.S. and other foreign investment. The government does not impose confiscatory taxes. According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 33/95, amended Official Gazette 20/98, 40/99, 31/03, and 46/05), foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Public interest, as defined by this Law, includes the following:

- Construction of infrastructure;
- Construction of power stations, waterworks, water supply systems, postal and communication systems and all accompanying and supporting infrastructure;
- Construction of buildings for defense and civil protection and the regulation of border crossings;
- Buildings and equipment for research of natural resources, education, science, health, culture, social security, athletics or activities; and
- Building settlements following extreme natural disasters and relocation settlements.

The beneficiary of expropriation is the state, especially when it allocates finances for public service, public enterprise, public funding and local government units. Under the Law on Expropriation, the state is obliged to pay market value for any property expropriated. If the payment is not made within 15 days of the decision brought for expropriation, default interest will be calculated.

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

Dispute Settlement

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The government, working to harmonize regulations with EU norms, has substantially reformed Macedonia's legal system. However, the administration of justice is not always uniform and the courts are often slow and inefficient and lack adequate resources. They are also subject to political pressure and corruption. In 2009, the international community spoke out against significant improprieties in the conduct of a case involving the country's largest single investor, Austrian power distributor EVN. The resulting basic court ruling was reversed on appeal and returned to the lower court. In 2011, both EVN and ELEM (the government-owned power generator) agreed to reach an out-of-court settlement and judicial proceedings were terminated.

Judges face improper pressure on a regular basis, while the system of appointments for the nation's Judicial Council appears to make decisions for political reasons. This trend became increasingly visible over the course of 2010 – 2013 and continued in 2014.

Under the law, the arbitration of international disputes in Macedonia is distinct from that of domestic disputes. The parties involved in an international dispute may agree to settle through: domestic litigation (Official Gazette Number 79/05; September 21, 2005), mediation (Law on Mediation; Official Gazette 60/06; May 15, 2006), or foreign arbitration (Official Gazette Number 39/06; March 03, 2006). Ratified international agreements override domestic legislation.

International arbitration is recognized and accepted under the Law on Arbitration. The government accepts binding international arbitration on investment disputes and has registered over 40 internationally-accredited arbiters. An arbitration court functions within the Economic Chamber, but this dispute resolution mechanism remains underutilized.

Macedonia has either signed on to or inherited 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 (governing the recognition and enforcement of foreign arbitral awards); and the Geneva Convention on the Execution of Foreign Arbitral Awards. Macedonia is also a party to the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States, and the European Convention on International Commercial Arbitration.

The Law on Courts provides for a three-tiered court system: the Basic Court (or Court of the First Instance), the Appellate Court, and the Supreme Court. In 2007 an Administrative Court was established to try administrative law cases. A Constitutional Court adjudicates constitutional issues. In an effort to provide better resolution of business disputes and to improve the business environment, the Law on Mediation was adopted in 2006, and amended several times since in an effort to foster out-of-court case resolution. This legislation provides for the training, testing, and certification of experts in different fields to act as mediators administered by the Ministry of Justice. An attempt to introduce mediation in pilot courts through U.S.-funded technical assistance produced only modest results, largely due to the lack of public awareness and the reluctance of legal practitioners to utilize this option.

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

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

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

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

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

Right to Private Ownership and Establishment

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Article 30 of the Constitution of the Republic of Macedonia guarantees the right of investors to own property. Foreign investors may acquire property rights for buildings and rights for other immovable assets to be used in their business activities. They may acquire residential property as well as directly owning construction land (Law on Construction Land; Official Gazette Number 82/08; July 08, 2008). Ownership of property requires preservation of specific rights that serve both the individual and the community. For example, no person may be deprived of his/her property or the rights deriving from it unless the use of that property disaffects the general welfare of the public. If the property is expropriated or restricted, rightful compensation based on its market value is guaranteed by the Constitution (<http://www.sobranie.mk/en/default.asp?ItemID=9F7452BF44EE814B8DB897C1858B71FF>).

Under the law, foreign and domestic private enterprises in Macedonia have the right to establish and own business enterprises, engage in all forms of business activity, and freely establish, acquire, and dispose of interests in business activities. The Law on Protection of Competition (<http://www.kzk.gov.mk/eng/law.asp>; Official Gazette Number 145/2010), is intended to guarantee fair business competition.

Protection of Property Rights

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Real Property

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

Intellectual Property Rights

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

Intellectual Property Rights are protected under: the Law on Industrial Property from 2009 (harmonized with the EU legislation); the Law for Authors and Common Rights (new law adopted in September 2010); and the Law on Customs Measures for Protection of IPR (enacted in 2006 and amended in 2011). The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models, and samples. The protection of author's rights and other related rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods.

Under the Law on Customs Measures for Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods. It has the right to seize suspect goods thereby preventing their distribution pending confirmation from the rights holder on the authenticity of the goods.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 – 60 days closure of businesses, monetary fines of up to 5,000 euro, or a prison sentence of up to 5 years. IPR cases are not handled by specialized courts.

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

Transparency of Regulatory System

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There are no laws, policies, or legal regulations that formally impede foreign investment in Macedonia. Unfortunately, excessive bureaucratic 'red tape' still poses difficulties in all spheres of government administration and provides opportunities for corruption and delays. Reports of inefficient and corrupt practices are common. Members of the business community frequently complain of opaque processes and unclear division of responsibilities within and between bureaucracies. In its determination to become an EU member, Macedonia has harmonized most of its legislation with the EU. Implementation remains weak, however, and there are even examples of laws contradicting one another.

Since 2006, the government has produced extensive legislative reform through a "regulatory guillotine" process, which, according to government, eliminated over 50 percent of all administrative procedures. However, businesses still complain of lengthy and overly complicated procedures.

In the World Bank's "Doing Business 2014" report, Macedonia was ranked 25th easiest country in which to do business out of 189 countries, a slight drop from last year's 23rd place. Although the same report ranked Macedonia as the fifth best reforming country in the world, new reforms often are not fully implemented due to a lack of administrative capacity and political will. Additionally, the reforms are often not comprehensive, and their effect has been underwhelming for the business and investment environment as a whole.

Efficient Capital Markets and Portfolio Investment

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Macedonia's securities markets are modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. After reaching its peak in August 2007, the MSE index has steadily dropped, reflecting the effects of the global economic crisis. In 2013, foreign portfolio investors accounted for 12.7 percent of total MSE turnover, 0.4 percentage points less than in 2012. Market capitalization in 2013 was \$2.2 billion, a 9.1 percent drop from 2012. The main index, MBI10, gained 0.4 percent of its value from the beginning of the year, closing at 1,739 points at the end of 2013.

The Macedonian Security and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. MSE has two market segments: the Official Market and the Regular Market. Companies listed on the Official Market must publicly disclose any price sensitive information related to their operation on a regular basis. The Regular Market has two sub-segments: a market for publicly-held companies which include companies that have special reporting requirements for the SEC and a "free market" which includes all other companies that provide a minimal disclosure of records. Due to the newly implemented Law on mandatory listing, the number of

companies listed at the Official Market increased from 32 in 2012 to 116 in 2013. However, total turnover decreased by 42.2 percent. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there are greater transparency requirements.

Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007. Government paper is present on the stock exchange in the form of denationalization bonds and a few special purpose bonds. In January 2004, the government started issuing treasury bills. In 2009, it started issuing T-bills with a foreign exchange clause. These are very attractive to domestic banks. A fully convertible current account places no restrictions on portfolio investments, but short-term capital inflows are still relatively low even by regional standards. Full liberalization of the capital account which would allow Macedonians to open foreign bank accounts in Macedonia has not been implemented yet.

Money and Banking System, Hostile Takeovers

There are no legal barriers to the free flow of financial resources and portfolio investments. Financial resources are almost entirely managed through the Macedonian banking system. In 2013, foreign capital was present in 15 of Macedonia's 16 banks, and was dominant in 11 banks. According to the National Bank of the Republic of Macedonia (NBRM), foreign investors' share in total banking capital at the end of 2013 was 68.3 percent, which is 6.4 percentage points less than a year ago. Most banks experienced a moderate increase of non-performing loans (NPL) in the first half of the year. At the end of 2013, NPL accounted for 11.5 percent of total credit, a one percentage point increase from the same period of the previous year. Unlike the real sector, the banking sector weathered the global economic crisis relatively smoothly and remained profitable, with profits in 2013 double what they were in 2012.

Supervisory monitoring by the NBRM has continuously strengthened, enhancing depositors' confidence. Banks' liquid assets at the end of 2013 were 31.2 percent of total assets, and the most recent stress test conducted by the NBRM showed that the banking sector is resilient to significant deposit withdrawals or to a sharp deterioration in the quality of loans. Although it increased by 10.9 percentage points in 2013, the intermediation rate (measured as total assets/GDP) of 77.9 percent in 2013 is considered very low even by regional standards. Credit is available on the local market and is allocated by market terms. The growth of credit to the private sector slowed to 6.4 in 2013, mainly due to slower credit growth to the corporate sector (3.7 percent). Poor liquidity in private sector and an increased NPL ratio, have led banks to conduct more prudent and conservative lending. The NBRM tried to encourage credit growth by lowering the reference rate, (the interest rate on Central Bank (CB) bills) to 3.25 percent in July 2013. Despite this, banks remained cautious in extending loans. Still, the weighted average lending rate of the banking system in 2013 was 7.6 percent, while the deposit rate was 3 percent.

Domestic companies secure financing primarily from their own cash flow and from bank loans, due to the lack of corporate bonds and other securities as credit instruments. Because of the scarcity of other private financing, credit demand is high, affecting interest rates. The leasing market is underdeveloped but is starting to become more competitive.

Savings houses' share in the total assets of the banking system is less than 1 percent. A new law on enables savings houses to transform themselves into financial companies, defined as non-deposit taking institutions under supervision of the Ministry of Finance. Reporting requirements for financial companies are less burdensome than those for savings houses. Four of the existing seven savings houses transformed themselves into financial companies. The remaining three still operate under the provisions of the Banking Law.

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

Competition from State Owned Enterprises

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State owned enterprises (SOEs) are all considered to be public enterprises in which the government is the dominant shareholder. The Constitution of the Republic of Macedonia establishes the same terms of competition for both private and public enterprises with respect to access to markets, credit, and other business operations. Under the law, SOEs are not given favorable positions or material advantages. There are SOEs operating in several sectors including energy, banking, water supply, utilities, and public transportation. There are also industries such as arms production and narcotics in which private enterprises may not operate without government approval. SOE general managers are usually appointed by the government. Members of SOE boards of directors are usually comprised of both internal and external members and are appointed by the government. SOE general managers routinely report to a government minister. Macedonia does not have a sovereign wealth fund.

Corporate Social Responsibility

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Although activities to promote corporate social responsibility have created some degree of awareness and capacity, corporate social responsibility remains an unclear and nascent concept. It is often perceived as an obligation pertaining only to large and very profitable companies.

The American Chamber of Commerce in Macedonia has organized business forums with an aim to help integrate corporate social responsibility into business practices and to make businesses more responsible to all of their stakeholders in the community. Established in December 2007, the National Corporate Social Responsibility Body is working to mobilize companies to incorporate corporate social responsibility practices in their business strategies.

Political Violence

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Since 2001, Macedonia has been essentially free of political violence. Aside from isolated incidents, politically-charged events have not regularly sparked violence. However, political and ethnic tensions remain and are often aggravated by

political rhetoric, especially during elections. Macedonia's authorities have worked to improve their ability to provide security and stability in an effort to remain on track for EU and NATO integration. The international community continues to encourage the GOM to enact reforms and adopt EU best practices in rule of law and media freedom. A contributor to peacekeeping efforts in Afghanistan and elsewhere, Macedonia is dedicated to remaining a net provider of international security and stability.

Corruption

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UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

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

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

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

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

Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), and the Council of Europe Criminal and Civil Law Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Macedonia is a party to the OECD Antibribery Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Macedonia is a party to the UN Convention since April 2007.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Macedonia is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European

countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Macedonia is a party to the Council of Europe Conventions on Corruption.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Macedonia does not have a free trade agreement (FTA) in place with the United States. Consult the USTR Website for more information: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

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

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

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at

http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

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

Public sector corruption, including bribery of public officials, remains a major challenge for U.S. firms operating in Macedonia. Although Macedonia's legal framework is sound, enforcement is weak and the public is skeptical of the government's willingness to prosecute corrupt officials. The public generally views the police, courts, higher education, and healthcare sectors as the most corrupt public sectors. Instances of selective prosecution have compounded public mistrust of government institutions. Investors and businesspeople have reported being solicited for bribes, particularly when participating in public procurements and government projects. Transparency International ranked Macedonia 67th out of 177 countries on the 2013 Corruption Perception Index.

The government has reduced opportunities for corruption by adopting "e-government" systems for managing international cargo transport licenses, issuing export/import licenses, and managing public procurement. The Customs Agency in particular has improved services through internal reforms and the adoption of electronic customs clearance solutions. The simplified and automated processes enable businesses to monitor the status of their applications in these areas. Such systems are an improvement when put into practice, but often are not used.

The Law on Criminal Procedure criminalizes bribery and abuse of official position. Other anti-corruption laws include the Law on Money Laundering Prevention and the Law on Corruption Prevention, which provide for penalties including prison and confiscation of illegally-obtained property. Macedonia has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery. Macedonia ratified the UN Convention against Corruption in early 2007, and has ratified the UN Convention against Transnational Organized Crime.

Anti-Corruption Resources

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

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/qcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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

Macedonia is a signatory of three multilateral Free Trade Agreements:

- The Stabilization and Association Agreement (SAA) with the EU member-states;
- The European Free Trade Agreement (EFTA) with Switzerland, Norway, Iceland and Liechtenstein; and
- The Central European Free Trade Agreement (CEFTA) with Albania, Moldova, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo.

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

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

OPIC and Other Investment Insurance Programs

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

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

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

Labor

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Relations between employees and employers are generally regulated by individual employment contracts pursuant to Section II, Articles 13-21 of the Law on Working Relations. Employment of foreign citizens is regulated by the Law on Foreigners. The employment contract, which must be in writing and kept on the premises, should address the following provisions: description of the employee's duties, duration of contract (finite or indefinite), effective and termination dates, location of work place, hours of work, rest and vacation periods, qualifications and training, and salary and pay schedule.

The law is relatively flexible with regard to working hours. Normal working hours for an employee are eight hours per day, five days per week. According to regulations, an

employee is entitled to a minimum of 20 working days and a maximum of 26 working days of paid annual leave during the course of a calendar year. Work permits are required for foreign nationals. There is, however, no limitation on the number of employed foreign nationals or the duration of their stay. As noted previously, many international businesses report that the process of obtaining visas and work permits can be challenging.

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 two largest employer associations and representatives from relevant ministries, are members of the Economic Social Council. The Council meets regularly to discuss issues of concern for both employers and employees and reviews amendments to labor related laws.

Trade unions are interest-based, autonomous labor organizations. Membership is voluntary and activities are financed by membership dues. Almost 75 percent of legally employed workers are dues-paying union members. However, largely as a result of Macedonia's high unemployment, the difficult economic climate, and political infighting, unions generally do not exercise much leverage.

In 2011, the government, employers' associations, and trade union associations agreed on a minimum wage of 8050 MKD (\$187) per month. The Law on Minimum Wage, which took effect on January 1, 2012, is in the process of being phased in over a three year period.

National collective bargaining agreements are negotiated between labor unions, the Ministry of Labor and Social Welfare, economic chambers, and employer associations. There are two main agreements for the public and private sectors on the national level. Separate contracts are negotiated by union branches or at the industry or company level. Key challenges faced by unions include high levels of unemployment and the effects of privatization on inefficient state companies.

Foreign-Trade Zones/Free Ports

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There are four major designated free trade zones, known as Technological Industrial Development Zones (TIDZs), in Macedonia: Skopje 1 (Bunardzik), Skopje 2 (an area north-east of Skopje), an area in the city of Stip, and an area in the city of Tetovo. In addition, there are seven other smaller TIDZs. Only three of the major zones, and none of the smaller zones, contain operating companies. Amended legislation (<http://www.fez.gov.mk/tir-zones-law.html>) permits and regulates these zones. The Directorate for Technological Industrial Development Zones (<http://www.fez.gov.mk>) develops and establishes the TIDZs and supervises activities within them.

In 2006, Johnson Controls, an American automotive components manufacturer, invested in a manufacturing plant in the Bunardzik TIDZ. The plant began operations in mid-December 2007. The Johnson Controls factory produces automotive electronic equipment and has steadily grown since its opening, now employing almost 150 workers. In October 2011, Johnson Controls began construction of an automotive upholstery plant in the Stip based TIDZ. The plant was opened and became operational in January 2014, and is projected to create 1,400 new jobs. Another U.S. based

company, Kemet Electronics Corporation, which produces capacitors, invested in a production facility at the Bunardzik TIDZ. Kemet commenced operations in October 2012 and will employ 500 workers when it reaches full production capacity. Other foreign investors present at the Bunardzik TIDZ include: Johnson-Matthey which produces catalytic converters for automobiles; TeknoHose which is an Italian firm that produces high-pressure hydraulic fittings; and Protek Group which is a Russian pharmaceutical company. Samvardhana Motherson Reflectec is also constructing a plant in the Bunardzik TIDZ and will produce die-cast automobile parts and exterior glass for rearview mirrors. Van Hool, a Belgium manufacturer of busses, built a production facility at TIDZ Skopje 2.

Foreign Direct Investment Statistics

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Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source* - State Statistical Office		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (<i>Millions U.S. Dollars</i>)	2013	10,309	2013	10,061	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source* - National Bank of the Republic of Macedonia		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (<i>Millions U.S. Dollars, stock positions</i>)	2013	1.1	2012	4	<p>(BEA) click selections to reach.</p> <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)

Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	2013	0.0	2012	-1	(BEA) click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (<i>calculate</i>)	2013	3.2	2013	3.3	IMF

Sources and Destination of FDI

Macedonia, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,943	100%	Total Outward	95	100%
Netherlands	1,033	21%	Serbia, Republic of	54	57%
Austria	583	12%	Netherlands	24	25%
Greece	576	12%	Russian Federation	14	14%
Slovenia	479	10%	Greece	6	7%
Hungary	457	9%	Croatia	5	6%

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

Source: <http://cds.imf.org>

The results from the IMF on inward direct investment presented in Table 3 differ from the data provided by the National Bank of the Republic of Macedonia, due to different means of determining the country of origin of investments. In particular, the IMF tends to credit investment to countries that investment directly comes from, whereas the National Bank often credits investment to a third country, if that is where the bank determined the investment originated. For example, for tax reasons, much investment in Macedonia passes through the Netherlands. The IMF lists the Netherlands as the largest investor in Macedonia, whereas the National Bank recognizes the Netherlands only as the fifth largest source of FDI in Macedonia with \$ 365 million (7% of total). According to the National Bank, the largest source of inward FDI is Austria with \$636 million (13% of total), followed by Slovenia with \$493 million (10%), Greece with \$401 million (8%), and Germany with \$383 million (8%).

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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How Do I Get Paid (Methods of Payment)

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

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

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

How Does the Banking System Operate

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

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

The banking system in Macedonia consists of 15 private banks, four savings houses and the state-owned Macedonian Bank for Development Promotion. According to the Banking Law, banks observe the principles of profit maximization, liquidity, safety and profitability. With the new Banking law adopted in July 2007, a foreign bank could have presence either as a legal entity or by opening up a branch or a representative office. With the changes in the Banking Law from February 2013, savings houses were obliged to transform either into a financial company or into a bank. Three of them officially turned into financial companies, which are subject to less restrictive supervision, which reduced the number of savings houses to four. The major difference between a financial company and a savings house is that the former do not take deposits from individuals, and the latter do. Both institutions may lend to companies and individuals only through a banking institution, and they are not allowed to undertake other banking operations. There is no legislation regulating the existence of non-bank financial institutions.

A group of three large banks, Komercijalna Banka, Stopanska Banka Skopje, and NLB Tutunska Banka, dominate the banking system. In 2013, these banks held 61 percent of the total assets of the banking system, 67 percent of the total credit to households, 65 percent of the total credit to enterprises, 73 percent of total deposits of households, and 60 percent of total deposits of enterprises. Nine banks have market share less than 4 percent each of the total assets of the banking sector.

In 2013, total deposits increased by 5.7 percent over 2012, and total loans to enterprises and households were 6.4 percent higher. Due to the short maturity of the deposits, banks are reluctant to make longer-term loans, and tend to keep most of their liquidity safe by purchasing treasury bills or keeping accounts abroad. The capital adequacy ratio of the banking sector in 2013 was 16.8 percent, and the non-performing loans (NPL) ratio was 11.5 percent, mostly as a result of the increased credit defaults in the enterprise sector.

A joint IMF and World Bank team, through the Financial Sector Assessment Program, has assessed the banking system as stable and resistant to various risks (interest rates, foreign exchange, credit risk etc.). The Central Bank regularly conducts stress tests of the banking system, and no major weakness has been detected so far. Banking supervision has fully shifted to comply with the new BASEL 2 recommendations.

In 2013, foreign capital was dominant in 11 banks, and kept its share in the total shareholders' capital of the banking system at 75.2 percent. Banks in foreign ownership had a market share of 68.3 percent in 2013. In 2012 the Turkish Halkbank took over the subsidiary branch of the Turkish Ziraat Bank in Macedonia.

In 2013, the Macedonian banking sector's overall profitability reached USD 50 million, which is a significant increase of 58.1 percent compared to the previous year. The main reason was increased net profits from interest. Thirteen out of 16 banks in 2013 were profitable, with a market share of 95.6 percent of total banking assets. The profitability indicator ROE (return on equity) in 2013 increased by 1.9 percentage points to 5.7

percent, while ROA (return on assets) increased from 0.4 percent in 2012 to 0.6 percent in 2013. At the end of 2013, the banking sector employed 6,048 people, which is a slight increase (by 22 people) from a year ago.

Although considerably improved over the past several years, the Macedonian financial system is still relatively underdeveloped compared to Western standards, as certain elements have not been established yet, including legislation regulating non-bank financial institutions. Banking is very conservative, offering traditional banking services only. The use of credit cards is widespread and most of the companies and shops accept credit cards as a payment instrument. Credit is available to private companies, but it is still rather expensive and subject to significant collateral in the form of real estate, which often is appraised by the banks at lower than the market value. Overall customer service still does not meet Western standards and needs improvement.

The average weighted lending rate of the banking system in 2013 was 7.63 percent, while the average weighted deposit rate was 2.99 percent.

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

Foreign-Exchange Controls

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

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

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

U.S. Banks and Local Correspondent Banks

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

- Major banks in Macedonia:

Komercijalna Banka AD
Orce Nikolov 3

P. O. Box 563
1000 Skopje, Republic of Macedonia
Tel: 389-2-316-8168
Fax: 389-2-322-0975
<http://www.kb.com.mk>

Stopanska Banka AD
11 Oktomvri 7
1000 Skopje, Republic of Macedonia
Tel: 389-2-329-5295
Fax: 389-2-311-4503
<http://www.stb.com.mk>

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

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

ProCredit Bank
Jane Sandanski 109 A
1000 Skopje, Republic of Macedonia
Tel: 389-2-321-9900
Fax: 389-2-321-9901
<http://www.pbb.com.mk>

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

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

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

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

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: <http://www.exim.gov/tools/countrylimitationschedule/>

OPIC: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.ustda.gov/>

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

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation:
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=landing>

U.S. Agency for International Development: <http://www.usaid.gov>

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Business Customs

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There are no specific customary business practices distinct to Macedonia. Macedonia's business customs are generally similar to Western business customs.

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

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

Travel Advisory

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Prior to travel, U.S. citizens are encouraged to check the Embassy web site <http://macedonia.usembassy.gov/> or the State Department site at <http://www.travel.state.gov> for the latest travel warnings and advisories. Travelers may also contact the Consular Section at the U.S. Embassy in Skopje (phone: + 389-2-310-2000 or fax: + 389-2-310-2499).

Crime in Macedonia is relatively low, but precautionary measures should be taken at all times.

Visa Requirements

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U.S. citizens wishing to enter Macedonia need a valid passport. A visa for Macedonia is not required for tourist/business purposes for stays up to 90 days.

Citizens of Macedonia may find information and applications for obtaining a U.S. visa at:

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

Telecommunications

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

Fixed lines are provided by the dominant telecommunication service provider - Macedonian Telecommunications (T-Home), and a range of other providers of public fixed telephony services. There are four cell phone service providers – T-Mobile, wholly owned by T-Home, Telekom Slovenia Group-owned ONE, VIP Operator – a member of Mobilkom Austria Group, and Albafone – Mobile Virtual Network Operator (MVNO).

There are several Internet access service providers. See Web Resources.

Transportation

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Airports:

Skopje “Alexander the Great” Airport – Petrovec (20km east from Skopje)

Tel: 389-2-314-8333

<http://www.airports.com.mk>

Ohrid “Saint Paul the Apostle” Airport (12km north-west from Ohrid)

Tel: 389-46-252-830

<http://www.airports.com.mk>

Airlines:

Adria Airways

Tel: 389-2-311-7009

<http://www.adria.si/>

Austrian Airlines

Tel: 389-2-314-8372

<http://www.austrian.com>

Croatia Airlines

Tel: 389-2-256-1850

<http://www.croatiaairlines.com>

Air Serbia

Tel: 389-2-311-8306

<http://www.airserbia.com/>

Turkish Airlines
Tel: 389-2-311-6149
<http://www.turkishairlines.com>

Rent a Car Agencies:

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

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

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

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

Language

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

Health

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Many physicians in Macedonia are trained to a high standard, and some well-equipped private clinics are available, especially in Skopje. However, most public hospitals and clinics are not equipped nor are they maintained at U.S. or Western European standards. Basic medical supplies are usually available, but specialized treatment may not be obtainable. Travelers with previously diagnosed medical conditions may wish to consult their physician before travel.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's info line at 1-800-CDC-INFO (1-800-232-4636) or via the CDC's internet site at <http://www.cdc.gov/travel>.

Local Time, Business Hours, and Holidays

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Time: GMT + 1 hour

Business Hours: 08:30 – 16:30

2014 Holidays:

January 1	- New Year's Day
January 7	- Orthodox Christmas
April 20	- Orthodox Easter
May 1	- Labor Day
May 24	- Saint Cyril and Methodius Day
July 28	- Ramadan Bajram
August 2	- Ilinden Uprising Day
September 8	- Independence Day
October 11	- People's Uprising Against Fascism
October 23	- Revolutionary Struggle Day
December 8	- Saint Clement of Ohrid Day

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

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

Temporary Entry of Materials and Personal Belongings

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<http://www.customs.gov.mk/EN/DesktopDefault.aspx?tabindex=0&tabid=22>

Web Resources

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T-Home (Macedonian Telecommunications)

Tel: 389-2-310-0200

<http://www.telekom.mk/en/?z=219>

T-Mobile

Tel: 389-70-6622

<http://www.t-mobile.mk/public/personal-customers.nsp>

ONE

Tel: 389-2-181

<http://www.one.mk/>

VIP

Tel: 389-77-1234

<http://www.vip.mk>

ALBAFONE

Tel: 389-2-173
<http://albafone.mk/>

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

Neotel
Tel: 389-2-551-1100
<http://neotel.mk/>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Government:

Embassy of the United States of America
Political /Economic Office
Mr. Arben Gega, Economic / Commercial Specialist
Samoilova 21
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-2000 ext. 2403
Fax: 389-2-310-2499
E-mail: GegaA@state.gov

U.S. Department of Commerce
Office of European Country Affairs / Central and Southeastern Europe
Mr. Ryan Barnes, Country Desk Officer
14th and Constitution, NW, Washington, D.C. 20230
Phone: 202-482-4262
Fax: 202-482-4505
E-mail: ryan.barnes@trade.gov

U.S. Department of Commerce
Office of European Country Affairs / Central and Southeastern Europe
Ms. Cherie Rusnak, Director
H-3319, 14th and Constitution, NW, Washington, D.C. 20230
Phone: 202-482-4915
Fax: 202-482-4505
E-mail: cherie_rusnak@ita.doc.gov

U.S. Trade and Development Agency
Mr. Leocadia Zak, Director
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Phone: 703-875-4357
Fax: 703-875-4009
E-mail: mena_ee@ustda.gov
Website: <http://www.ustda.gov>

U.S. Export-Import Bank

811 Vermont Avenue, N.W.
Washington, D.C. 20571
Phone: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)
E-mail: info@exim.gov
Website: <http://www.exim.gov/>

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, NW
Washington, DC 20527
Phone: (202) 336-8400
Website: <http://www.opic.gov>

U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave. SW
Washington, DC 20250
Phone: 202-720-7420
Website: <http://www.fas.usda.gov>

Business Associations:

American Chamber of Commerce in Macedonia
Mrs. Michelle Osmanli, Executive Director
Ivo Lola Ribar 59A - 1/15
1000 Skopje, Republic of Macedonia
Phone: 389-2-321-6714
Fax: 389-2-324-6950
E-mail: info@amcham.com.mk
Website: www.amcham.com.mk

Union of Chambers of Commerce in Macedonia
Mr. Mitko Aleksov, Executive Director
Prashka 23
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-309-1440
E-mail: info@sojuzkomori.org.mk
Website: www.sojuzkomori.org.mk

Economic Chamber of North-West Macedonia
Mr. Arben Halili, Executive Director
Dimitrie Cupovski 13
1000 Skopje, Republic of Macedonia
Phone: 389-2-323-9252
Fax: 389-2-329-0075
E-mail: info@oemvp.org
Website: <http://www.oemvp.org>

Economic Chamber of Macedonia
Mr. Branko Azeski, President
Dimitrie Cupovski 13
1000 Skopje, Republic of Macedonia

Phone: 389-2-324-4000
Fax: 389-2-324-4088
E-mail: ic@mchamber.mk
Website: www.mchamber.mk

Government of Macedonia

Website: <http://www.vlada.mk/>
www.investinmacedonia.com

Embassy of the Republic of Macedonia
2129 Wyoming Ave., NW
Washington, D.C. 20008
Phone: 202-667-0501, ext. 0
E-mail: usoffice@macedonianembassy.org
<http://www.macedonianembassy.org>

Government of the Republic of Macedonia

Mr. Vele Samak, Minister for Foreign Investments
ILINDEN bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-322-3672 or Fax: 389-2-322-3674
E-mail: vsamak@gmail.com

Mr. Bill Pavleski, Minister for Foreign Investments
ILINDEN bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-3230 201
E-mail: bill.pavleski@post.harvard.edu

Mr. Jerry Naumoff, Minister for Foreign Investments
ILINDEN bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-3122-585
E-mail: jerry.naumoff@FDIMacedonia.com

Ministry of Transport and Communications
Mr. Mile Janakieski, Minister
Plostad Crvena Skopska Opstina 4
1000 Skopje, Republic of Macedonia
Phone: 389-2-312-3292 or Fax: 389-2-312-6228
<http://www.mtc.gov.mk>

Ministry of Economy
Mr. Bekim Neziri, Minister
Jurij Gagarin 15
1000 Skopje, Republic of Macedonia
Phone: 389-2-309-3470 or Fax: 389-2-308-4472
<http://www.economy.gov.mk>

Ministry of Finance
Mr. Zoran Stavreski, Minister
Mito Hadzivasilev Jasmin bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-7288 or Fax: 389-2-310-6779
<http://www.finance.gov.mk>

Ministry of Agriculture, Forestry and Water Resource Management
Mr. Mihail Cvetkov, Minister
Aminta Treti 2
1000 Skopje, Republic of Macedonia
Phone/Fax: 389-2-311-4477
<http://www.mzsv.gov.mk>

Ministry of Foreign Affairs
Mr. Nikola Poposki, Minister
Philip II of Macedon 7
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-5266 or Fax: 389-2-311-5790
<http://www.mfa.gov.mk>

Ministry of Defense
Mr. Zoran Jolevski, Minister
Orce Nikolov bb
1000, Skopje, Republic of Macedonia
Phone: 389-2-328-2042 or Fax: 389-2-328-3991
<http://www.morm.gov.mk>

Ministry of Health
Mr. Nikola Todorov, Minister
Vodnjanska bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-2500 or Fax: 389-2-311-3014
<http://www.moh.gov.mk>

Ministry of Labor and Social Policy
Mr. Dime Spasov, Minister,
Dame Gruev 14
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-6212 or Fax: 389-2-322-0408
<http://www.mtsp.gov.mk>

Ministry of Education and Science
Mr. Abdilaqim Ademi, Minister
St. Cyril and Methodius 54
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-7896 or Fax: 389-2-311-8414
<http://www.mon.gov.mk>

Ministry of Culture
Mr. Elizabeta Kanceska Milevska, Minister

Gjuro Gjakovic 61
1000 Skopje, Republic of Macedonia
Phone: 389-2-324-0600 or Fax: 389-2-322-6920
<http://www.kultura.gov.mk>

Ministry of Justice
Mr. Adnan Jashari, Minister
Dimitrie Cupovski 9
1000 Skopje, Republic of Macedonia
Phone: 389-2-311-7288 or Fax: 389-2-322-6975
<http://www.pravda.gov.mk>

Ministry of Internal Affairs
Ms. Gordana Jankuloska, Minister
Dimce Mircev bb
1000 Skopje, Republic of Macedonia
Phone: 389-2-322-1972 or Fax: 389-2-311-2468
<http://www.mvr.gov.mk>

Ministry of Environment and Physical Planning
Mr. Nurhan Izairi, Minister
Bul. Gove Delcev (MRTV Building/10,11,12 floor)
1000 Skopje, Republic of Macedonia
Phone: 389-2-325-1400 or Fax: 389-2-322-0165
<http://www.moepp.gov.mk>

Ministry of Local Self - Government
Mr. Lirim Shabani, Minister
St. Cyril and Methodius 54
1000 Skopje, Republic of Macedonia
Phone: 389-2-325-3921 or Fax: 389-2-325-3920
<http://www.mls.gov.mk>

Macedonian Information Agency
Mr. Zoran Ivanov, Director
Bojmija K-2
1000 Skopje, Republic of Macedonia
Phone: 389-2-246-1600 or Fax: 389-2-246-4048
<http://www.mia.mk/>

Agency for Foreign Investments
Kliment Shekerovski, Deputy Director
Nikola Vapcarov 7
1000 Skopje, Republic of Macedonia
Phone: 389-2-311 7564 or Fax: 389-2-312-2098
Email: fdi@investinmacedonia.com
<http://www.investinmacedonia.com>

Customs Administration
Mrs. Natasha Radeska Krstevska, Director
Lazar Licenovski 13

1000 Skopje, Republic of Macedonia
Phone: 389-2-312-1144; 312-5388 or Fax: 389-2-312-4054
<http://www.customs.gov.mk>

National Bank (Central Bank)
Mr. Dimitar Bogov, Governor
Kuzman Josifovski Pitu 1
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-8108 or Fax: 389-2-310-8357
<http://www.nbrm.com.mk>

Statistical Office
Mrs. Blagica Novkovska, Director
Dame Gruev 4
1000 Skopje, Republic of Macedonia
Phone: 389-2-329-5773 or Fax: 389-2-311-1336
<http://www.stat.gov.mk>

Industrial Property Protection Office
Mr. Safet Emruli, Director
11 Oktomvri 25
1000 Skopje, Republic of Macedonia
Phone: 389-2-310-3601 or Fax: 389-2-313-7149
<http://www.ippo.gov.mk>

Market Research

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To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration for the site is required, but its use is free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>

The Skopje Trade Fair schedule is at:

<http://www.eragrupa.mk/kalendar/PDF/c7e1f00a0601f68ac53c78dbae0fdf83.pdf>

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:

<http://www.buyusa.gov/>

<http://export.gov/>

<http://export.gov/Macedonia/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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