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**Trade Policy Review Body**

# TRADE POLICY REVIEW

## REPORT BY THE SECRETARIAT

### THE REPUBLIC OF NORTH MACEDONIA

This report, prepared for the second Trade Policy Review of the Republic of North Macedonia, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Republic of North Macedonia on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr. Mark Koulen (tel: 022 739 5224); Ms. Martha Lara Fernandez (tel: 022 739 6033); and Mr. Pierre Latrille (tel: 022 739 5266).

Document WT/TPR/G/390 contains the policy statement submitted by the Republic of North Macedonia.

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## SUMMARY

1. As a small, landlocked, middle-income country of 2 million people with a GDP of around EUR 11 billion, the Republic of North Macedonia (hereafter: North Macedonia) is dependent on trade, with exports and imports in goods and services representing around 133% of GDP in 2018.

2. The services sector is the largest contributor to GDP (64% of GDP in 2018), followed by manufacturing (15%), agriculture, forestry and fishing (8.4%) and construction (7%). GDP growth averaged 2.2% on an annual basis from 2012 to 2018, and is expected to remain at this level in the medium term. Between 2012 and 2018, GDP per capita rose by more than 40%, and unemployment declined from 31.0% to 20.7%. The period also witnessed a substantial reduction in poverty.

3. The current account deficit narrowed from EUR 240 million (3.2% of GDP) in 2012 to EUR 31.9 million (0.3% of GDP) in 2018. This is due to a reduction of the trade balance deficit, and to an increase in the surplus of the services balance.

4. Imports and exports of goods grew constantly during the review period, but the growth rate of exports was more sustained. The share in GDP of merchandise exports increased from 30.4% in 2012 to 45.5% in 2018, while that of merchandise imports rose from 56.9% to 61.6%. The share of manufacturing in total merchandise exports increased from 71.8% in 2012 to 82.3% in 2017. The composition of exports of manufactures also changed significantly, as illustrated by the increase in the relative shares of machinery and transport equipment, and chemicals. The surplus of the services balance grew during the review period, as the increase in the value of exports of services exceeded that of imports of services. The growth of services exports is mainly due to construction, computer services, and professional services.

5. In 2018, the European Union's share in North Macedonia's exports of goods was 82.0% and its share in North Macedonia's imports of goods was 62.4%.

6. FDI net inflows rose from approximately EUR 131.0 million in 2012 (1.5% of GDP) to EUR 621.9 million in 2018 (5.8% of GDP). The European Union accounted for 76.7% of the FDI inward stock in 2017. Nearly half of the FDI inward stock (45.2% in 2017) is in the services sector. The share of the manufacturing sector in the FDI inward stock reached 36.8% in 2018, which reflects a substantial increase in the share of vehicles and other transport equipment.

7. Following a period of significant increases in public debt, a process of gradual fiscal consolidation was initiated in 2018, through reforms of taxation, pensions and social assistance benefits, and the improvement of the management of public finances. The monetary policy stance has been mainly accommodative.

8. The pursuit of EU integration has been one of the main driving forces for the legal, institutional and economic reforms undertaken so far by North Macedonia. For more than a decade, the authorities have engaged in the process of aligning national legislation with EU law (*acquis communautaire*). The return of stability after the political crisis of 2015-17 enabled North Macedonia to address certain challenges that had formed an obstacle to the country's European and international integration. In June 2018, the European Union agreed to respond positively to the recent progress made by North Macedonia, particularly on the implementation of institutional reforms and the resolution of the name issue with Greece, and set out the path towards opening accession negotiations in June 2019.

9. Recent reforms of business regulations resulted in a significant improvement in certain aspects of the climate for doing business, both for domestic and foreign investors. At the same time, structural economic and social challenges remain, including with respect to labour market weaknesses, the large size of the informal sector (estimated at 34% of GDP in 2014 and 18% of employment in 2018), and the quality of public institutions. Increasing productivity is a key condition to improving the country's economic performance. The continued effective implementation of institutional reforms would boost confidence in North Macedonia's economy.

10. North Macedonia became a Member of the WTO in 2003, and its trade policies were reviewed once, in 2013. It has regularly notified the WTO of the trade measures it adopted since the previous Review. Some notifications are still pending, including those on domestic support for agricultural products. North Macedonia has not been involved in any proceedings under the WTO dispute settlement mechanism.

11. North Macedonia participates in five free trade agreements (FTAs), which, together, accounted for 95% of its exports and 78% of its imports in 2018. In terms of trade coverage, the two most important agreements are the 2004 Stabilization and Association Agreement (SAA) with the European Union, and the Central European Free Trade Agreement (CEFTA). The SAA provides for the harmonization of North Macedonia's legal and regulatory framework with EU law, to prepare for accession negotiations. Pursuant to the SAA, two-way trade has been completely liberalized. Trade with parties to the CEFTA constitutes 11.1% of North Macedonia's exports and 8.9% of its imports. The parties to the CEFTA achieved full liberalization of trade in industrial and agricultural products in 2015. North Macedonia did not conclude any new FTAs since the previous Review.

12. North Macedonia also took measures aimed at increasing its attractiveness to foreign investors, such as targeted investment promotion strategies, and financial and other types of incentives, including in the context of the Technological Industrial Development Zones. The investment regime is generally open to FDI, with only a few legal restrictions, in domestic and international air transport and gambling, and foreign ownership of non-agricultural land. North Macedonia is cooperating with five other Western Balkan economies to harmonize national investment policies and align them with EU standards and international best practices.

13. North Macedonia continued to update and modernize its customs legislation, particularly with a view to achieving convergence with EU customs rules and improving the efficiency of the collection of import duties and other taxes. An important aspect of the alignment of North Macedonia's customs administration with the EU *acquis* is the development of a new Customs Declarations and Excise Documents Processing System (CDEPS), which will replace the current ASYCUDA computerized declaration system and is expected to become fully operational in June 2019. Recent studies suggest that the efficiency of North Macedonia's customs procedures has improved.

14. North Macedonia has implemented 99.2% of its commitments under the Trade Facilitation Agreement, which it accepted in October 2015, and will have implemented another 0.8% by December 2019 without capacity-building support. It became a party to the Convention on a Common Transit Procedure and the Convention on the Simplification of the Formalities in Trade in Goods between EU Member States and EFTA countries in July 2015, and a party to the CEFTA Additional Protocol 5 on Trade Facilitation in January 2018.

15. While there were no fundamental changes to North Macedonia's legislation on customs valuation during the review period, new provisions on transfer pricing entered into force in January 2019. North Macedonia has no laws or regulations relating to pre-shipment inspection, and does not use pre-shipment inspection services.

16. North Macedonia grants at least MFN tariff treatment to imports from all WTO Members and non-WTO Members. The simple average of the 2019 applied MFN tariff is estimated at 8.5%, which remains almost identical to that of 2013. The coefficient of variation of 1.3 indicates high dispersion, with rates ranging from zero to 75.0%. The average applied tariff on agricultural products is 17.6%, while that on non-agricultural products is 5.8%. The applied MFN tariff structure shows tariff escalation in certain categories of products. North Macedonia has bound 100% of its tariff lines at rates ranging from zero to 75%. As in the case of applied tariffs, *ad valorem* rates apply to most bound tariff lines, except for certain agricultural products with compound and mixed bound tariffs. The simple average bound rate on agricultural products is 18.2%, while that on non-agricultural products is 6.3%.

17. The importation of certain goods (e.g. certain animals and birds, plants, fertilizers, narcotics, arms, and ozone-depleting substances) is prohibited for reasons related mainly to the protection of national security, public morals, the environment, health, endangered species, and national treasures of artistic, historical or archaeological value. For similar reasons, certain categories of

products are subject to import licensing. The product coverage of this import licensing regime has not changed in recent years.

18. The legal framework governing the application of trade contingency measures did not change during the review period, and North Macedonia did not impose any anti-dumping, countervailing duty or safeguard measures, or initiate any anti-dumping, countervailing duty or safeguard investigations.

19. North Macedonia does not apply export duties. The export of certain products is prohibited or subject to licensing for reasons of protection of human, animal or plant life or health, protection of public morals, and protection of the environment. The list of products subject to export prohibition or export licensing did not change since the previous Review. In March 2018, North Macedonia amended its export control law, by adopting a new list of dual-use goods and technologies that transposes Annex 1 of the relevant EU regulation.

20. With the aim of attracting investment and accelerating business development, North Macedonia maintains a competitive taxation system, with some of the lowest rates worldwide. Companies are subject to a corporate income tax on realized profits, at a rate of 10%. VAT is charged at a standard rate of 18% on the supply and import of goods and services. A lower rate of 5% applies to supplies of certain basic goods and services. Until recently, personal income tax was set at a flat rate of 10%. As of 1 January 2019, the portion of income that exceeds MKD 90,000 per month is taxed at a rate of 18%, and income up to MKD 90,000 continues to be taxed at a rate of 10%. Income from capital, property, industrial property rights, insurance, capital gains, games of chance and other income is taxed at 15% (raised from 10%).

21. The Government offers numerous support measures to enterprises as part of its overall economic strategy to promote industrial development, competitiveness, and the creation of new and better-paid jobs. A key objective of many of these measures is to encourage investment, particularly in manufacturing, and to promote linkages between foreign investors and domestic firms to increase the country's integration in global value chains. The Economic Growth Plan, published in February 2018, which is closely related to the new Industrial Strategy, seeks to stimulate growth in the industrial sector, focusing on manufacturing. It envisages three types of financial support (pillars), the first two of which are implemented through the Law on Financial Support of Investments, promulgated in May 2018. The first pillar involves several general measures to support investment, one of which relates to the purchase of products from domestic suppliers, while the second pillar involves measures for improving competitiveness and internationalization. The third provides for measures to foster the development of micro, small and medium-sized enterprises.

22. North Macedonia's industrial policy instruments were further developed and funded in the past few years. The challenges currently facing the authorities are to ensure the effective implementation of these instruments, to adequately monitor their results, to strengthen coordination among the different government agencies involved in their implementation, and to avoid overlapping of measures and institutional responsibilities.

23. North Macedonia continued the process of harmonizing its technical regulations and standards with relevant EU rules, with a view to preparing for accession to the European Union. Thus, the Standardization Institute of the Republic of North Macedonia adopted 28,898 standards, most of which are European standards. The authorities aim to achieve full harmonization with the EU *acquis* in product safety during the period 2019-21, particularly through the transposition of EU New Approach Directives. Since the last Review, North Macedonia submitted one notification to the WTO Committee on Technical Barriers to Trade.

24. Similarly, most changes made to the regulatory and institutional framework for the application of sanitary and phytosanitary measures since the previous Review were aimed at harmonization with international norms, especially EU rules. The Government is focusing on streamlining practices and implementing various measures related to the EU *acquis* regarding field inspection services, official controls, food and feed safety, animal disease control, plant health and plant protection products, control of veterinary medicinal products, and enhancement of border post import controls.

25. The Law on the Protection of Competition (LPC) regulates anti-competitive behaviour and concentrations. It prohibits agreements, decisions and concerted practices between undertakings, which have as their object or effect the distortion of competition, and provides an illustrative list of these agreements, which are to be considered null and void. The LPC also specifies the situations in which the abuse of dominant position in the relevant market, or a substantial part thereof, is prohibited, and provides for the *ex ante* control of mergers. During the review period, the Commission for the Protection of Competition maintained a significant level of activity.

26. Price controls apply in the form of regulated and approved prices (not direct controls) on a few products and services, which are characterized by monopolistic supply conditions. Prices in the energy sector (oil derivatives and electricity for universal/last resort suppliers) and prices of telecommunications and postal services are regulated.

27. North Macedonia notified the WTO that, during the period under review, it did not maintain any state trading enterprises as defined in paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT. State involvement in the economy did not change significantly in recent years. There are currently 57 state-owned enterprises, of which 16, mostly public utilities, are wholly-owned by the State.

28. In February 2017, North Macedonia submitted its application for accession to the WTO Agreement on Government Procurement. Its public procurement system is decentralized. Until 31 March 2019, it was regulated by the Law on Public Procurement (LPP), which entered into force in 2008. A new Law on Public Procurement (new LPP), which transposes several EU directives on public procurement, was adopted in January 2019 and entered into force on 1 April 2019. While the general structure and content of the previous Law remain essentially the same, the new LPP introduces significant changes, including with respect to minimum thresholds for the application of procurement law, the publication of contract notices, the use of special procurement methods, and the criteria for awarding contracts. In the latter regard, the new LPP provides for the possibility for quality to be evaluated in addition to price. As amended by the new LPP, the procurement regime does not provide for national preferences.

29. While the number of public contracts awarded increased between 2013 and 2017, the value of public contracts awarded in 2017 was inferior to the annual values awarded in each of the four previous years. The value of public contracts awarded to foreign suppliers decreased in both absolute and relative terms between 2013 and 2017.

30. North Macedonia's legal framework on intellectual property rights (IPRs) is quite comprehensive and has progressively been aligned with EU legislation. New legislation adopted during the review period, based on EU rules, includes the Law on Customs Measures for the Enforcement of Protection of IPRs and the Rulebook on the form and content for the request by right-holders for Customs to take action and for extending the period of such action. The Law on Copyright and Related Rights was amended in 2016 to regulate the functioning of the collective management of rights and fee distribution, and to eliminate a cap on right-holders' remuneration. The National Strategy on Industrial Property 2016-18, adopted in October 2017, aims to guarantee a level of IPR protection in North Macedonia like that of the European Union, to permanently harmonize it with all international obligations and agreements concluded by North Macedonia in this field, and to help develop an efficient IPR system as a backbone for economic growth. Although North Macedonia has a sound legal framework for the protection of IPRs, its practical effectiveness is limited by several institutional factors, for example, the absence of specialized courts, and the lack of coordination of IPR-enforcement bodies.

31. Agriculture remains an important activity for North Macedonia's economy, notwithstanding its declining shares in GDP and total employment. In 2018, the sector accounted for 8.4% of GDP and 15.7% of employment. The value of agricultural production increased during the review period in most product categories. North Macedonia exhibits a structural and growing trade deficit for agri-food products. The main agricultural exports in 2018 were tobacco; preparations of cereals, flour, starch or milk; beverages; edible vegetables and certain roots and tubers; and preparations of vegetables, fruit, nuts or other parts of plants. The main import products in 2018 were meat; miscellaneous edible preparations; dairy products; animal or vegetable fats and oils and their products; preparations of cereals, flour, starch or milk; and pastry cooks' products.

The main markets for agriculture and food products are the European Union and neighbouring Western Balkan economies.

32. The level of tariff protection in agriculture is relatively high. North Macedonia notified the Committee on Agriculture that it provided no export subsidies and no export credits to agricultural products for the calendar years 2008 to 2018. The structure of support to agriculture remained relatively stable. Direct support to producers represented the largest share (60% in 2015); followed by rural development measures (28%); and general support to agriculture (12%). North Macedonia does not apply any minimum prices or any kind of market price support schemes. Its most recent domestic support notification to the Committee on Agriculture was for the calendar years 2005, 2006, and 2007. The National Strategy for Agriculture and Rural Development for the period 2014-20 defines as its objective the improvement of the competitiveness of North Macedonia's agricultural production and food industry, the development of rural areas, and the sustainable management of natural resources.

33. In 2016, mining and quarrying accounted for 1.2% of GDP. Of the 354 current concessions for mineral exploitation, around 13% are held by foreign companies. All three prospective geological research concessions are held by foreign companies.

34. Oil and coal constitute the main primary energy supply sources. In addition to national considerations, North Macedonia's energy policy aims to transpose the EU energy *acquis* in terms not only of liberalization but also of energy security, energy efficiency and environmental objectives. During the period under review, regulatory regimes in gas and electricity were reformed by the new Energy Law of May 2018, which transposes the EU Third Energy Package. The Law fully unbundled the electricity sector and instated free choice of providers for all customers.

35. The manufacturing sector accounts for slightly less than 20% of total employment. The increase in its contribution to GDP, from 11.8% in 2012 to 15% in 2018, mainly reflects the growth in value added of the category composed of motor vehicles, trailers and semi-trailers. While North Macedonia managed to integrate successfully into certain global value chains, particularly in the automotive industry, significant challenges must be addressed to improve the competitiveness of the manufacturing sector. The new Industrial Strategy, with a focus on the manufacturing sector, adopted in 2018, emphasizes the critical role of manufacturing to economic growth, productivity, high-quality jobs, innovation, and promotion of the circular economy. Its overall objective is to promote industrialization by stimulating the growth and development of the manufacturing sector to boost productivity, create good jobs, raise income, and strengthen human capital, while addressing the challenges of the circular economy.

36. The telecommunications sector is largely liberalized and offers a dynamic competitive landscape, although prices remain relatively high by international standards. North Macedonia's main legislation in the field of telecommunications is the 2014 Law on Electronic Communication, which reflects the regulatory framework for communications adopted by the European Union in 2009.

37. During the review period, North Macedonia adopted a series of by-laws aimed at strengthening the institutional and operational framework of banks, and transposed several pieces of EU banking legislation. The main reform planned is the adoption, in 2020, of a special Law on Resolution, to transpose Directive 2014/59/EU on the establishment of a framework for recovery and resolution of credit institutions and investment firms. North Macedonia transposed a series of pieces of legislation stemming from the EU insurance *acquis,* notably the Risk-based Prudential and Solvency Rules for Insurers directive. It also adopted various elements of the EU securities *acquis*. Regarding licensing procedures for securities market participants, amendments to the 2005 Law on Securities, to transpose the UCITS IV EU Package, were expected to be adopted by the Parliament in the first half of 2019. North Macedonia is also planning to transpose, in the medium-term, the Hedge Funds and Private Equities directive (the AIFMD) and the Derivatives Regulation (the EMIR).

38. The economic development of North Macedonia, as a small land-locked country, depends, to a large extent, on a well-developed transport network. To reduce transport costs arising from the relatively poor condition of roads and railways, the Government is focused on the development

of the transport infrastructure. Its aim is to better connect with the EU markets and access the nearby sea ports in Greece and Bulgaria. In that respect, road infrastructure is an important priority, since most goods, including exports, are transported by road. North Macedonia transposed, in its 2013 Law on Road Transport, the main regulations underpinning the single EU road transport market. North Macedonia also transposed a series of EU technical requirements on vehicles and the qualifications of drivers, and will soon transpose the latest EU tachymeter requirements. North Macedonia concluded 33 bilateral agreements on the international road transport of passengers and goods. It is in the process of transposing the European Union's Fourth Railway Package of 2016.

39. Tourism is still a relatively minor activity in North Macedonia in terms of its contribution to GDP, but it developed, during the period under review, in terms of arrivals and gross foreign exchanges earnings. In 2017, the sector accounted for around 3.8% of total employment, more than twice its share in GDP. In 2011, a non-discriminatory subsidy programme aimed at increasing the capacity of tour operators and travel agencies was introduced, with a view to providing competitive holidays packages. The National Strategy for the Development of Tourism 2018-23 is aimed, among several other objectives, at developing tourism beyond the two main destinations of Skopje and Lake Orhid.

# 1 ECONOMIC ENVIRONMENT

## 1.1 Main Features of the Economy

1.1. The Republic of North Macedonia is a landlocked, middle-income country in the Balkan Peninsula. GDP growth during the period under review resulted in a reduction of unemployment and poverty, with GDP per capita rising by more than 40%. The services sector is the largest contributor to GDP, accounting for 64% in 2018, followed by manufacturing (15%), agriculture, forestry and fishing (8.4%) and construction (7%). The informal sector remains relatively important (34% of GDP in 2014 and 18% of employment in 2016[1]), which has a significant impact on productivity and on the business climate.

1.2. Prudent macro-economic management resulted in low inflation (Table 1.1). As a result of being pegged to the euro, the exchange rate of the denar remained stable. State involvement in the economy has not evolved significantly since the large waves of privatization of the early 2000s. The central government budget ran a deficit during the whole period, albeit a declining one. This translated into an increase in public debt and, within it, external public debt, of more than 25% during the period (Table 1.1).

1.3. As a small country of 2 million people, with a GDP of around EUR 11 billion, North Macedonia's internal market is not big enough to sustain high growth rates in the medium and long term. The country is dependent on trade, with exports and imports in goods and services representing around 133% of GDP in 2018. North Macedonia's external trade prospects are closely and increasingly tied to the European Union, its largest trading partner. Its overall economic and strategic policy is geared towards unlocking further growth and productivity gains, stemming from progressive regional integration and regulatory convergence, through its accession process to the European Union.

1.4. Foreign direct investment (FDI) inflows increased during the period and reached EUR 338 million in 2016, although they declined in 2017 to EUR 182 million before achieving a record high of EUR 624 million in 2018. GDP growth also rebounded from 0.2% in 2017 to 2.7% in 2018, and the International Monetary Fund (IMF) expects this trend to continue.

## 1.2 Recent Economic Developments

1.5. GDP growth averaged 2.2% on an annual basis from 2012 to 2018, and is expected to remain at this level in the medium term. Private consumption and public expenditures, notably in infrastructure, were the main drivers of growth during the period under review. The share of agriculture, forestry and fishing slightly declined between 2012 and 2018 (from 10.5% to 8.4%). By contrast, the contribution of manufacturing to GDP increased year after year, from 11.8% in 2012 to 15% in 2018. This evolution can be explained by two factors. First, the traditional textile industry has managed to maintain its position within the European textile value chain despite the erosion of its low wages comparative advantage. Second, in the automotive parts industry foreign investors have used the tax advantages offered by the technological industrial development zones to invest in new facilities producing automotive parts with a relatively high labour intensity. Within services, the group constituting distribution, transport, and food and accommodation services, all activities closely linked to private consumption, saw the largest increase of its contribution to GDP (from 19.4% to 24.8%), while real estate underscored the largest decline (from 14.8% to 10.6%).

1.6. GDP per capita increased from EUR 3,678.0 in 2012 to EUR 5,169.4 in 2018, and unemployment constantly declined during the period under review (from 31% in 2012 to 20.7% in 2018). Consequently, poverty has notably regressed.[2]

[1] World Bank, *Systematic Country Diagnostic*, November 2018, footnote 65, pp. 53 and 34. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf.

[2] According to the World Bank, between 2009 and 2015, the cumulative reduction in poverty was about 12 percentage points (from 35% to 23%). Thus, it appears that, in six years, 240,000 people were lifted out of poverty. The World Bank further calculated that the decline continued through 2017. The extremely poor narrowed from about 9.7% in 2009 to 5.3% in 2015. World Bank, *Systematic Country Diagnostic*, November 2018, pp. 16-17. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf. For a complete analysis on poverty indicators, see pp. 16-36, and Annex 5, pp. 264-266.

## Table 1.1 Selected macroeconomic indicators, 2012-18

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| Nominal GDP (MKD billion)[a] | 466.7 | 501.9 | 527.6 | 559.0 | 594.8 | 616.6 | 660.3 |
| Nominal GDP (EUR billion)[a] | 7.6 | 8.1 | 8.6 | 9.1 | 9.7 | 10.0 | 10.7 |
| Real GDP (annual % change at constant 2005 prices) | -0.5 | 2.9 | 3.6 | 3.9 | 2.8 | 0.2 | 2.7 |
| GDP per capita (EUR) | 3,677.9 | 3,945.2 | 4,138.0 | 4,380.1 | 4,656.7 | 4,825.3 | 5,169.4 |
| Inflation (CPI, annual rate of change, in %) | 3.3 | 2.8 | -0.3 | -0.3 | -0.2 | 1.4 | 1.5 |
| Unemployment rate (share of labour force, year average) | 31.0 | 29.0 | 28.0 | 26.1 | 23.7 | 22.4 | 20.7 |
| Population ('000) | 2,062.3 | 2,065.8 | 2,069.2 | 2,071.3 | 2,073.7 | 2,075.3 | 2,076.6 |
| **GDP by expenditure approach (% of GDP at current prices)[a]** | | | | | | | |
| Final consumption | 92.5 | 89.3 | 86.9 | 85.8 | 82.3 | 80.8 | 79.5 |
| Household final consumption, including non-profit institutions serving households | 73.9 | 71.8 | 69.8 | 68.8 | 66.9 | 65.9 | 64.3 |
| General government final consumption | 18.6 | 17.5 | 17.1 | 17.0 | 15.4 | 14.9 | 15.3 |
| Gross capital formation | 28.9 | 28.8 | 30.3 | 30.4 | 32.5 | 33.0 | 33.0 |
| Net exports | -21.4 | -18.1 | -17.2 | -16.3 | -14.8 | -13.8 | -13.8 |
| Export of goods and services | 45.4 | 43.4 | 47.7 | 48.7 | 50.7 | 55.4 | 60.4 |
| Import of goods and services | 66.8 | 61.5 | 64.9 | 65.0 | 65.5 | 69.2 | 73.0 |
| **GDP by economic activity (% of GDP at current basic prices)[a]** | | | | | | | |
| Agriculture, forestry and fishing | 10.5 | 11.5 | 11.7 | 11.1 | 10.6 | 9.1 | 8.4 |
| Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities | 17.8 | 17.3 | 18.3 | 19.3 | 19.7 | 20.6 | 20.4 |
| of which: manufacturing | 11.8 | 11.4 | 12.6 | 13.5 | 14.2 | 14.6 | 15.0 |
| Construction | 6.6 | 8.2 | 8.0 | 8.1 | 8.0 | 7.2 | 7.0 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities | 19.4 | 21.2 | 21.0 | 21.1 | 21.9 | 23.1 | 24.8 |
| Information and communication | 4.0 | 3.7 | 3.5 | 3.4 | 3.5 | 3.9 | 3.4 |
| Financial and insurance activities | 3.4 | 3.2 | 3.4 | 3.5 | 3.4 | 3.5 | 3.4 |
| Real estate activities | 14.8 | 13.8 | 13.1 | 12.6 | 11.6 | 11.1 | 10.6 |
| Professional, scientific and technical activities; administrative and support service activities | 3.7 | 3.7 | 3.7 | 3.7 | 3.9 | 4.2 | 4.6 |
| Public administration and defence; compulsory social security; education; human health and social work activities | 17.2 | 14.7 | 14.2 | 14.2 | 14.3 | 14.0 | 13.6 |
| Arts, entertainment and recreation; other service activities; activities of households as employers; undifferentiated goods- and services-producing activities of households for own use | 2.7 | 2.8 | 3.1 | 3.1 | 3.2 | 3.3 | 3.7 |
| **Structure of national employment (% of total employment)** | | | | | | | |
| Agriculture, forestry and fishing | 17.3 | 18.7 | 18.5 | 17.9 | 16.6 | 16.2 | 15.7 |
| Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities | 23.6 | 23.5 | 23.4 | 23.4 | 23.1 | 23.3 | 23.9 |
| of which: manufacturing | 19.5 | 19.4 | 19.3 | 19.4 | 19.0 | 19.3 | 19.9 |
| Construction | 6.3 | 6.9 | 7.0 | 7.1 | 7.2 | 7.2 | 7.4 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities | 22.6 | 22.6 | 22.7 | 22.6 | 23.0 | 23.7 | 23.6 |
| Information and communication | 1.7 | 1.6 | 2.0 | 2.1 | 1.9 | 1.8 | 1.7 |
| Financial and insurance activities | 1.4 | 1.4 | 1.2 | 1.4 | 1.5 | 1.5 | 1.1 |
| Real estate activities | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 |
| Professional, scientific and technical activities; administrative and support service activities | 4.1 | 3.7 | 3.9 | 3.4 | 3.8 | 3.7 | 4.2 |
| Public administration and defence; compulsory social security; education; Human health and social work activities | 18.8 | 18.3 | 18.2 | 18.3 | 18.7 | 18.6 | 18.5 |

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| Arts, entertainment and recreation; other service activities; activities of households as employers; undifferentiated goods- and services-producing activities of households for own use | 4.0 | 3.1 | 3.0 | 3.6 | 3.9 | 3.7 | 3.7 |
| **Central government finance (% of GDP)** | | | | | | | |
| Total revenue, of which: | 29.6 | 27.9 | 27.7 | 28.8 | 28.5 | 29.1 | 28.5 |
| Tax revenue, of which: | 16.2 | 15.4 | 15.9 | 16.3 | 16.6 | 16.7 | 17.3 |
| Personal income tax | 2.0 | 2.0 | 2.3 | 2.3 | 2.4 | 2.5 | 2.7 |
| Value added tax | 8.2 | 7.9 | 8.3 | 7.5 | 7.7 | 7.8 | 7.5 |
| Excises | 3.6 | 3.2 | 3.3 | 3.5 | 3.7 | 3.7 | 3.8 |
| Custom duties | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Contributions | 8.7 | 8.5 | 8.4 | 8.6 | 8.5 | 8.6 | 8.6 |
| Non-tax revenues | 2.7 | 2.4 | 2.0 | 2.3 | 2.2 | 2.2 | 1.9 |
| Capital revenues | 0.9 | 0.6 | 0.4 | 0.4 | 0.3 | 0.2 | 0.3 |
| Total expenditure | 33.4 | 31.8 | 31.9 | 32.3 | 31.2 | 31.9 | 30.3 |
| Current expenditures, of which: | 29.4 | 28.5 | 28.5 | 29.0 | 28.3 | 28.7 | 28.5 |
| Wages and salaries | 4.9 | 4.5 | 4.4 | 4.4 | 4.4 | 4.2 | 4.0 |
| Goods and services | 3.1 | 3.0 | 2.9 | 3.2 | 2.8 | 2.5 | 2.2 |
| Transfers, of which: | 20.5 | 20.1 | 20.2 | 20.2 | 20.0 | 20.6 | 21.1 |
| Social transfers | 14.9 | 14.8 | 14.9 | 14.8 | 15.0 | 15.4 | 15.2 |
| Interest payments | 0.9 | 0.9 | 1.0 | 1.2 | 1.2 | 1.4 | 1.2 |
| Capital expenditures | 4.0 | 3.3 | 3.3 | 3.3 | 2.9 | 3.2 | 1.8 |
| Budget deficit/surplus | -3.8 | -3.8 | -4.2 | -3.5 | -2.7 | -2.7 | -1.8 |
| **Public debt (EUR million)** | 2,908.8 | 3,281.4 | 3,921.3 | 4,227.2 | 4,711.4 | 4,786.9 | 5,202.2 |
| % of GDP | 38.4 | 40.3 | 45.8 | 46.6 | 48.8 | 47.8 | 48.5 |
| External public debt (% of GDP) | 25.6 | 25.5 | 31.8 | 31.4 | 34.0 | 31.8 | 33.0 |
| Domestic public debt (% of GDP) | 12.8 | 14.8 | 14.0 | 15.2 | 14.8 | 16.0 | 15.5 |
| **External sector** | | | | | | | |
| MKD/USD (annual average) | 47.9 | 46.4 | 46.4 | 55.5 | 55.7 | 54.6 | 52.1 |
| MKD/EUR (annual average) | 61.5 | 61.6 | 61.6 | 61.6 | 61.6 | 61.6 | 61.5 |
| Nominal effective exchange rate of MKD[b] | 93.7 | 95.0 | 97.7 | 99.9 | 102.6 | 103.4 | 106.2 |
| Real effective exchange rate of MKD[b] | 97.7 | 99.3 | 100.2 | 100.0 | 101.1 | 100.6 | 101.9 |
| Gross foreign reserves (stock, end of period, in EUR million) | 2,193.3 | 1,993.0 | 2,436.5 | 2,261.8 | 2,613.4 | 2,336.3 | 2,867.1 |
| Import coverage, in months | 5.2 | 4.8 | 5.3 | 4.6 | 4.9 | 4.0 | 4.4 |
| Gross external debt (public and private) (as % of GDP) | 68.2 | 64.0 | 70.0 | 69.3 | 74.7 | 73.6 | 78.2[c] |
| FDI inflow (EUR million) | 111.2 | 252.2 | 205.1 | 216.7 | 338.4 | 181.7 | 624.5 |
| % of GDP | 1.5 | 3.1 | 2.4 | 2.4 | 3.5 | 1.8 | 5.8 |
| FDI inward stock (EUR million) | 3,685.5 | 3,980.0 | 4,023.6 | 4,400.1 | 4,657.3 | 4,697.8 | .. |
| % of GDP | 48.6 | 48.8 | 47.0 | 48.5 | 48.2 | 46.9 | .. |
| Current account balance (% GDP) | -3.2 | -1.6 | -0.5 | -2.0 | -2.9 | -1.0 | -0.3 |
| Trade in goods and services (% GDP) | 112.2 | 104.9 | 112.6 | 113.7 | 116.2 | 124.6 | 133.4 |

.. Not available.

a Preliminary data for 2017, and estimated data for 2018.
b Increase in index (2015=100) means appreciation.
c As at the third quarter of 2018.

Source: Information provided by the authorities: the State Statistical Office, MakStat database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx; National Bank of the Republic of North Macedonia statistics online information. Viewed at: http://www.nbrm.mk/pocetna-en.nspx; and Ministry of Finance statistical information. Viewed at: https://www.finance.gov.mk/en/node/21.

1.7. However, growth was hampered by a lack of productivity gains. Overall, productivity is low, even by regional standards, and stagnated during the period under review. This is particularly true for the agricultural sector but extends also to manufacturing and services except for the export-oriented, FDI-financed sectors and information technology.

1.8. A recent World Bank report[3] attributes this low productivity to a suboptimal allocation of factors, including a lack of qualified skills, non-economically viable job support schemes, and the survival of laggard firms, reinforced by a poor investment climate due to political uncertainties during part of the period under review. The World Bank sees considerable potential in the improvement of

[3] World Bank, *Systematic Country Diagnostic*, November 2018. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf. For a complete analysis on productivity, see pp. 38-67.

productivity for supporting further gains in growth and the creation of high-quality jobs. The authorities concur globally with this analysis (Section 1.2.4).

### 1.2.1 Monetary and exchange rate policy

1.9. The conduct of monetary policy is the remit of the National Bank of the Republic of North Macedonia. According to the law on the National Bank, the primary mission of the Bank is to achieve and maintain price stability. Another of its mission is to contribute to the maintenance of a stable, competitive and market-based financial system. According to the authorities, the National Bank supports the general economic policies of the Government without jeopardizing the achievement of its primary mission and in conformity with the principles of open market economy and free competition.

1.10. The monetary policy instruments available to the National Bank to achieve its objectives are the management of the policy rate, the issuance of central banks bills, repo auctions, foreign exchange intervention, temporary or outright purchasing or selling of securities, intraday, overnight and seven-day loan facilities, reserve requirements, and non-standard instruments.

1.11. The denar is pegged to the euro. Therefore, during the period under review, the exchange rate between the two remained stable.

1.12. The National Bank is also pursuing a cautious policy of de-euroization of the national economy; more than 40% of credits and deposits are denominated in euros. A new strategy for de-euroization was adopted in 2017. It includes higher reserve requirements for deposits in euros and higher interest rates for those in denars.

1.13. According to the IMF, during the period under review, the monetary policy stance has been mainly accommodative.

### 1.2.2 Fiscal policy

1.14. The central government budget ran a deficit during the period under review, although this deficit narrowed after 2014 due to a decline in expenditures.

1.15. As a result of these accumulated deficits, the public debt has constantly grown each year, from 38.4% of the GDP in 2012 to 47.8% in 2017, i.e. close to a 30% increase in five years.

1.16. This public debt partly reflects investment in road infrastructure and public construction projects but is mostly due to recurring primary deficits driven by declining tax revenues and rising current spending. As a result, according to the IMF[4] and to the World Bank[5], notable risks to fiscal sustainability have built up over time in terms of high gross financing needs and the composition of public debt, with limited policy space to counter shocks and address long-term needs.

1.17. The authorities broadly share this assessment and, in 2018, started implementing measures aimed at achieving a gradual fiscal consolidation. The first such measures are a reform of the pension fund system, and a reform aimed at targeting better social assistance.

### 1.2.3 Structural issues

1.18. The Government recently indicated[6] that it was globally in agreement with the assessment of structural issues identified notably by the IMF and the World Bank, and on the need to increase productivity and inclusive growth. It also indicated that, in 2018, it initiated a wide range of reforms aimed at addressing labour market weaknesses, combating informality, strengthening institutions, fighting against corruption and improving the efficiency and fairness of the tax system.

[4] IMF Country Report No. 19/32, *2018 Article IV Consultation*, January 2019, pp. 16-17.
[5] World Bank, *Systematic Country Diagnostic*, November 2018, pp. 163-164. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf.
[6] IMF Country Report No. 19/32, *2018 Article IV Consultation*, January 2019. Statement by the authorities.

#### 1.2.3.1 Tax and public financial management reform

1.19. In order to reduce fiscal deficit, the 2019 budget introduced a second personal income tax rate of 18% that applies to the top 1% of earners. It also increased the threshold for tax-free allowance and the flat tax rate on capital income from 10% to 15%. According to the IMF, these measures are expected to have a positive net impact on the fiscal balance of 0.2% of GDP in 2019. Measures were also taken to limit VAT circumvention, close loopholes related to transfer pricing, and introduce pre-filled personal income tax forms.

1.20. The reform of the pension system is aimed at improving its long-term sustainability by gradually increasing pension contribution rates from 18.0% to 18.8% in 2020, and by indexing benefit to the Consumer Price Index (CPI) only, instead of the present mixed formula (half average CPI and half average wage growth). Further measures may be considered in the future to address increasing demographic pressures. The reform of social assistance will improve targeting, and will increase the currently limited coverage, by consolidating the partially overlapping child and social protection benefits and creating both a guaranteed minimum income that is conditional on participation in activation programmes, and a social pension plan for the elderly to ensure a minimum revenue.

1.21. The Government also started improving public financial management, notably by better monitoring and reducing government arrears, and by imposing, as of 2018, the quarterly publication for all public entities of their overdue obligations. To achieve local government budget discipline, spending was capped. While hailing these efforts, the IMF, in the context of the 2018 Article IV Consultations, highlighted the importance of a more comprehensive fiscal coverage and revenue efficiency.

#### 1.2.3.2 Labour market

1.22. Job creation during the period under review took place essentially in services, manufacturing and public administration. However, the new jobs were concentrated in less skill-intensive, less technologically sophisticated activities like wholesale trade, retail, and assembly manufacturing. In higher-value-added industries like financial services, information and communications technology (ICT), and telecoms, employment remained stable.[7]

1.23. Long-term and youth unemployment rates are particularly high, reflecting skills shortages and qualifications mismatches. Large outward migration of skilled workers further exacerbates existing skill deficits and contributes to structural unemployment. In addition, about 35% of the working age population (15 to 64 years) is inactive, two thirds of which are women. A relatively large shadow economy employs about 18% of the labour force, but constitutes a drag on the economy, to the detriment of formal businesses, workers and the State, by perpetuating tax and social contribution evasion, uneven enforcement of business regulations, and gaps in labour inspection.

1.24. To tackle these structural issues, the authorities are focusing on strengthening vocational training. They also intend to slow the emigration of skilled labour, by adopting an industrial strategy, diversifying away from labour-intensive industries and attracting foreign investments in higher value-added industries that could generate jobs for the tertiary-educated and facilitate technology transfer. To increase female labour force participation, a dozen new childcare centres were opened across different municipalities, with the number expected to double by end-2018. Recent measures aimed at combating informality include a lowering of the threshold for cash payments from EUR 1,000 to EUR 500 (applicable as of June 2018), the introduction of a voucher system to pay social contributions, and the establishment of a catalogue of all parafiscal charges, aimed at streamlining and limiting the number of licences required to do business.

#### 1.2.3.3 Business environment

1.25. In 2019, North Macedonia reached the tenth position in the World Bank "Doing Business" Index, ahead of 26 EU member States. While acknowledging this progress, the World Bank

[7] World Bank, *Systematic Country Diagnostic*, November 2018, pp.48-49. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf.

considers, in its recent Systematic Country Diagnostic, that progress was slower in areas not covered by this Index, such as governance and accountability[8], and that the political crisis in 2015-2017 underlined these problems. This opinion is shared by the IMF, which considers that institutional weaknesses impose drags on the economy. The need for improvement of the judicial and business environments was also highlighted by the European Union as one of the conditions for the opening of negotiations on North Macedonia's accession.

1.26. The authorities intend to tackle these structural impediments to unlock further growth potential through regional integration and regulatory practices convergence. Hence, they are planning to address outstanding recommendations made by the Council of Europe and the Venice Commission in their latest review, through additional legislative amendments to the Law on the Judicial Council and the Law on Courts, to be ratified by Parliament in early 2019. New draft legislation on corruption prevention aims to grant the State Commission for Prevention of Corruption access to the financial and banking information of public officials, and to a range of government databases, to strengthen oversight and facilitate asset verification.

### 1.2.4 Balance of payments

1.27. During the period under review, the current account deficit narrowed from EUR 240 million (3.2% of GDP) in 2012 to EUR 31.9 million (0.3% of GDP) in 2018. This is due to both a reduction of the trade balance deficit and to an increased surplus of the services balance.

1.28. Both imports and exports of goods grew constantly during the period (save for one year, 2013, for imports) and the growth rate of exports was more sustained. Hence, the deficit of the trade balance narrowed in absolute terms, from EUR 2,007.9 million in 2012 to EUR 1,736.6 million in 2018. (Table 1.2)

### Table 1.2 Balance of payments, 2012-18

(EUR million)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017[a] | 2018[a] |
|---|---|---|---|---|---|---|---|
| Current account | -240.0 | -134.1 | -43.2 | -177.1 | -275.5 | -102.9 | -31.9 |
| Goods | -2,007.9 | -1,863.3 | -1,855.7 | -1,822.8 | -1,812.9 | -1,787.9 | -1,736.6 |
| Credit | 2,307.2 | 2,375.0 | 2,784.1 | 3,046.9 | 3,529.4 | 4,073.5 | 4,879.6 |
| Debit | 4,315.1 | 4,238.3 | 4,639.8 | 4,869.8 | 5,342.3 | 5,861.4 | 6,616.2 |
| Services | 309.4 | 374.9 | 383.9 | 348.8 | 340.7 | 377.0 | 357.8 |
| Credit | 1,066.8 | 1,154.7 | 1,303.9 | 1,377.6 | 1,389.7 | 1,439.3 | 1,566.6 |
| Debit | 757.4 | 779.8 | 920.0 | 1,028.8 | 1,049.0 | 1,062.3 | 1,208.9 |
| Primary income | -163.8 | -193.1 | -160.6 | -286.1 | -383.9 | -397.5 | -450.5 |
| Credit | 146.7 | 170.9 | 158.0 | 150.5 | 147.1 | 147.1 | 152.9 |
| Debit | 310.5 | 363.9 | 318.6 | 436.6 | 531.0 | 544.6 | 603.3 |
| Secondary income | 1,622.3 | 1,547.3 | 1,589.2 | 1,583.0 | 1,580.6 | 1,705.5 | 1,797.3 |
| Credit | 1,694.2 | 1,624.3 | 1,675.4 | 1,672.9 | 1,681.8 | 1,833.0 | 1,934.4 |
| Debit | 71.9 | 77.0 | 86.2 | 89.9 | 101.2 | 127.5 | 137.0 |
| Capital account | 9.3 | 14.7 | 3.3 | 7.3 | 10.7 | 18.0 | 6.9 |
| Financial account (net lending (+)/net borrowing (-)) | -212.1 | -106.6 | -27.2 | -171.6 | -272.3 | -94.5 | -7.5 |
| Direct investment | -131.1 | -229.4 | -197.4 | -202.8 | -316.9 | -180.0 | -621.9 |
| Portfolio investment | -77.3 | 159.3 | -482.5 | -65.7 | -429.2 | 18.5 | -320.3 |
| Financial derivatives (other than reserves) and employee stock options | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investment | -146.1 | 7.5 | 243.9 | 280.3 | 135.6 | 213.0 | 384.4 |
| Reserve assets | 142.3 | -44.0 | 408.9 | -183.4 | 338.2 | -146.0 | 550.3 |
| Net errors and omissions | 18.6 | 12.9 | 12.7 | -1.7 | -7.5 | -9.6 | 17.6 |

Note: Based on Balance of Payments Manual, 6th edition.

a Provisional.

Source: National Bank statistics online information. Viewed at: http://www.nbrm.mk/pocetna-en.nspx.

[8] For a more detailed analysis of this issue, see World Bank, *Systematic Country Diagnostic*, November 2018, pp. 152-156. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf.

1.29. The services balance exhibited a surplus during the period under review, and an overall growth of this surplus (from EUR 309 million in 2012 to EUR 358 million in 2018). As a share of GDP, it declined slightly, from 4.1% to 3.3%. The growth of services exports is mainly due to construction, whose share increased (from 4.3% to 6.8%), computer services, whose share more than doubled (from 4.8% to 9.8%), and professional services whose share grew by nearly 40% (from 5.9% to 8.5%) (Table 1.3). By contrast, the relative share of telecom exports fell (from 5.2% to 1.4%), as did that of manufacturing on a fee or contract basis (from 27.9% to 16.7%), while the relative share of transport within services exports has remained virtually stable (24.0% in 2012, 24.9% in 2017).

1.30. During the period under review, payments on account of repatriated profits and dividends rose, and these are reflected in the negative primary income balance. However, the secondary income surplus, which mainly comprises workers' remittances, increased during the period under review. Around 70% of the overall secondary income net inflows is attributable to the "other private transfers" category, which is mainly driven by cash exchanges (reflecting cash remittances, so-called "money under the mattresses", and hidden export receipts).

1.31. The current account deficit was financed by the financial account, mainly by FDI inflows, which were robust throughout the review period. Gross foreign exchange reserves grew overall, from EUR 2,193 million in 2012 to EUR 2,867.1 million in 2018, with some variations in between, and the import coverage diminished from 5.2 months to 4.4 months.

### Table 1.3 Trade in services by sector, 2012, 2014, and 2016-18

| | 2012 | 2014 | 2016 | 2017[a] | 2018[a] | 2012 | 2018 |
|---|---|---|---|---|---|---|---|
| | Value in EUR million | | | | | Share of total (%) | |
| **Services exports** | **1,066.8** | **1,303.9** | **1,389.7** | **1,439.3** | **1,566.6** | **100** | **100** |
| Manufacturing services on physical inputs owned by others | 297.6 | 338.6 | 267.2 | 242.0 | 261.1 | 27.9 | 16.7 |
| Maintenance and repair services n.i.e. | 2.4 | 1.5 | 1.7 | 2.4 | 3.5 | 0.2 | 0.2 |
| Transport | 255.7 | 312.5 | 321.7 | 350.6 | 389.7 | 24.0 | 24.9 |
| Air | 15.0 | 19.1 | 27.5 | 31.2 | 35.9 | 1.4 | 2.3 |
| Other modes of transport | 239.0 | 290.7 | 291.7 | 316.8 | 351.2 | 22.4 | 22.4 |
| Postal and courier services | 1.7 | 2.7 | 2.5 | 2.7 | 2.6 | 0.2 | 0.2 |
| Travel | 183.1 | 221.9 | 252.5 | 286.7 | 324.8 | 17.2 | 20.7 |
| Construction | 45.7 | 102.0 | 145.2 | 133.1 | 106.1 | 4.3 | 6.8 |
| Insurance and pension services | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Financial services | 2.0 | 3.3 | 2.6 | 3.4 | 4.0 | 0.2 | 0.3 |
| Charges for the use of intellectual property n.i.e. | 6.4 | 7.9 | 7.0 | 8.6 | 9.9 | 0.6 | 0.6 |
| Telecommunications, computer, and information services, of which: | 106.0 | 121.3 | 150.0 | 154.5 | 183.0 | 9.9 | 11.7 |
| Telecommunications services | 55.0 | 60.9 | 53.3 | 26.6 | 22.2 | 5.2 | 1.4 |
| Computer services | 50.9 | 58.6 | 93.1 | 122.4 | 153.5 | 4.8 | 9.8 |
| Other business services, of which: | 147.7 | 167.4 | 210.4 | 224.6 | 250.1 | 13.8 | 16.0 |
| Professional and management consulting services | 63.4 | 79.6 | 107.0 | 117.2 | 132.6 | 5.9 | 8.5 |
| Technical, trade-related, and other business services | 79.1 | 82.0 | 98.6 | 102.7 | 113.4 | 7.4 | 7.2 |
| Personal, cultural, and recreational services | 15.7 | 23.0 | 28.1 | 29.8 | 28.6 | 1.5 | 1.8 |
| Government goods and services n.i.e. | 4.5 | 4.3 | 3.3 | 3.5 | 5.8 | 0.4 | 0.4 |
| **Services imports** | **757.4** | **920.0** | **1,049.0** | **1,062.3** | **1,208.9** | **100** | **100** |
| Manufacturing services on physical inputs owned by others | 0.1 | -1.1 | 0.1 | 0.3 | 0.9 | 0.0 | 0.1 |
| Maintenance and repair services n.i.e. | 4.1 | 4.3 | 6.2 | 8.7 | 11.6 | 0.5 | 1.0 |
| Transport | 286.5 | 301.5 | 273.2 | 309.6 | 329.4 | 37.8 | 27.2 |
| Sea | 40.1 | 44.3 | 32.3 | 57.8 | 30.2 | 5.3 | 2.5 |
| Air | 35.7 | 33.6 | 30.6 | 30.5 | 36.9 | 4.7 | 3.1 |
| Other modes of transport | 208.6 | 221.0 | 207.0 | 217.9 | 259.7 | 27.5 | 21.5 |
| Postal and courier services | 2.1 | 2.6 | 3.2 | 3.4 | 2.6 | 0.3 | 0.2 |
| Travel | 87.0 | 111.9 | 162.5 | 183.1 | 219.7 | 11.5 | 18.2 |
| Construction | 37.8 | 142.9 | 186.5 | 145.0 | 104.7 | 5.0 | 8.7 |
| Insurance and pension services | 4.2 | 4.6 | 5.1 | 6.1 | 6.7 | 0.6 | 0.6 |
| Financial services | 20.6 | 31.1 | 32.9 | 30.2 | 24.9 | 2.7 | 2.1 |
| Charges for the use of intellectual property n.i.e. | 26.4 | 40.1 | 60.3 | 47.3 | 165.0 | 3.5 | 13.7 |

| | 2012 | 2014 | 2016 | 2017[a] | 2018[a] | 2012 | 2018 |
|---|---|---|---|---|---|---|---|
| | Value in EUR million | | | | | Share of total (%) | |
| Telecommunications, computer, and information services, of which: | 55.8 | 67.0 | 74.7 | 86.8 | 89.9 | 7.4 | 7.4 |
| Telecommunications services | 19.8 | 32.8 | 30.8 | 32.9 | 34.1 | 2.6 | 2.8 |
| Computer services | 35.9 | 31.8 | 41.3 | 50.9 | 54.1 | 4.7 | 4.5 |
| Other business services, of which: | 188.3 | 167.3 | 204.9 | 206.4 | 215.3 | 24.9 | 17.8 |
| Professional and management consulting services | 97.2 | 90.9 | 124.0 | 103.9 | 117.7 | 12.8 | 9.7 |
| Technical, trade-related, and other business services | 86.5 | 71.3 | 73.3 | 96.6 | 93.8 | 11.4 | 7.8 |
| Personal, cultural, and recreational services | 21.3 | 27.8 | 22.5 | 20.9 | 22.7 | 2.8 | 1.9 |
| Government goods and services n.i.e. | 25.3 | 22.7 | 20.0 | 18.0 | 18.1 | 3.3 | 1.5 |

a Provisional.

Source: WTO Secretariat calculations, based on National Bank statistics online information. Viewed at: http://www.nbrm.mk/pocetna-en.nspx.

## 1.3 Developments in Trade and Investment

1.32. During the period under review, the share in GDP of both merchandise exports and imports rose; that of exports increased from 30.4% in 2012 to 45.5% in 2018, while that of imports rose from 56.9% to 61.6%. The trend was similar for services, albeit at a slower pace, from 14.0% to 14.6% for services exports and from 10.0% to 11.3% for services imports.

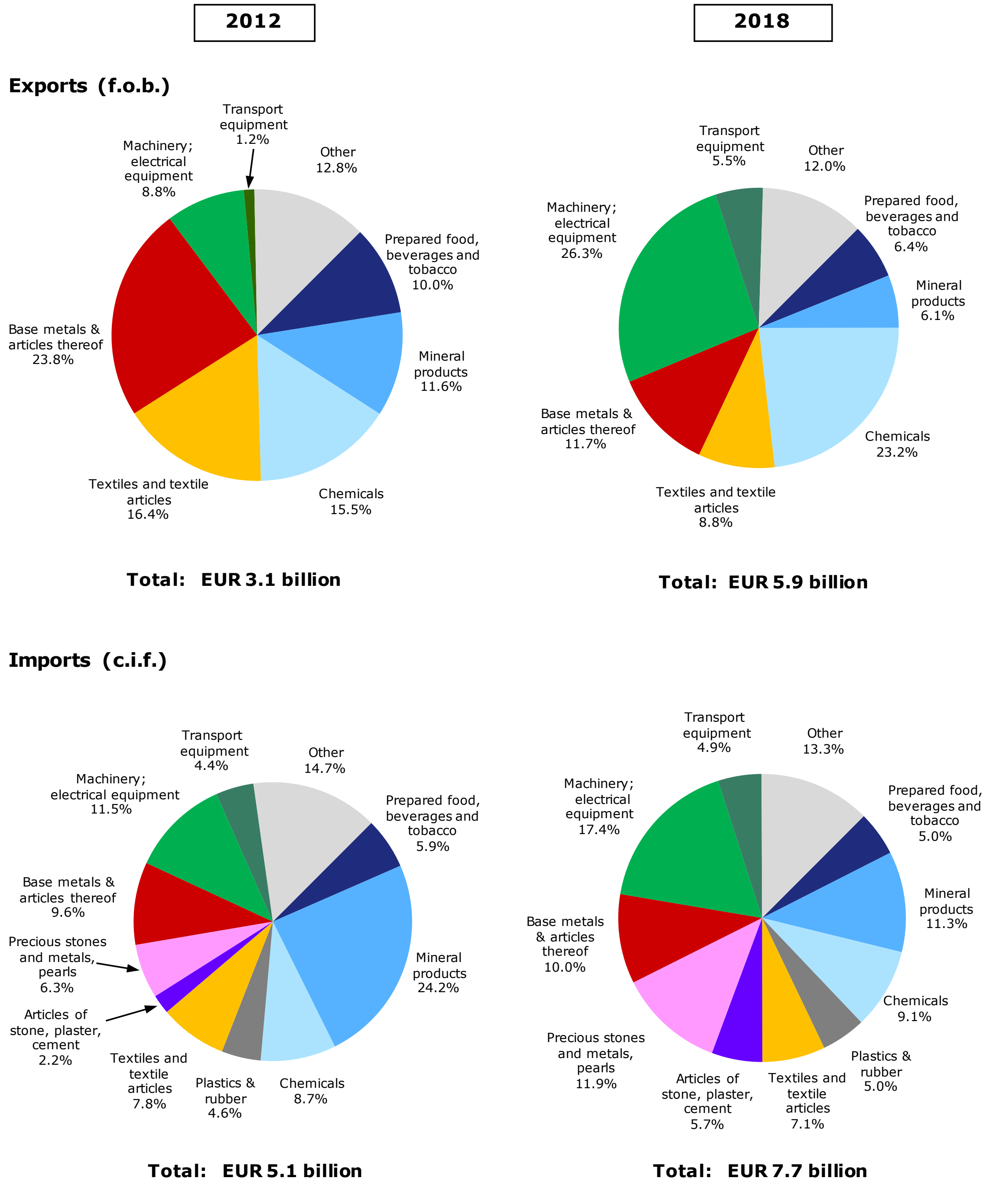
1.33. FDI net inflows rose from approximately EUR 131.0 million in 2012 (i.e. 1.5% of GDP) to EUR 621.9 million in 2018 (5.8% of GDP). Following the resolution of the name issue and the ensuing improved business climate, both the National Bank and the IMF forecast a significant rebound of FDI. The new Law of Financial Support for Investments, adopted in April 2018, which contains additional incentives, should foster this rebound (Sections 2.4 and 3.3.2).

### 1.3.1 Trends and patterns in merchandise trade

1.34. The structure of exports (Chart 1.1) from North Macedonia evolved significantly during the period under review. While base metals and article thereof, and textiles and textile articles were the largest exports in 2012, with, respectively, 23.8% and 16.4% of the total, in 2018, they were the third and fourth largest exports, with a share of 11.7% and 8.8%, respectively. The two largest exports are now machinery and electrical equipment (26.3% up from 8.8%) and chemicals (23.2% up from 15.5%). This reveals the progressive decline of textile exports and the rise of auto and machinery components, for which North Macedonia successfully integrated European value chains.

1.35. The structure of imports (Chart 1.1) remained more stable, the only two significant evolutions being the decline of the relative share of minerals products, from 24.2% to 11.3% (due to lower primary products and energy prices, and to much lower imports by volume of crude oil after the closure of the only refinery in the country), and the rise of that of machinery and electrical equipment (from 11.5% to 17.4%), reflecting, as above, North Macedonia's integration into the global automotive value chain.

## Chart 1.1 Product composition of merchandise trade by HS section, 2012 and 2018



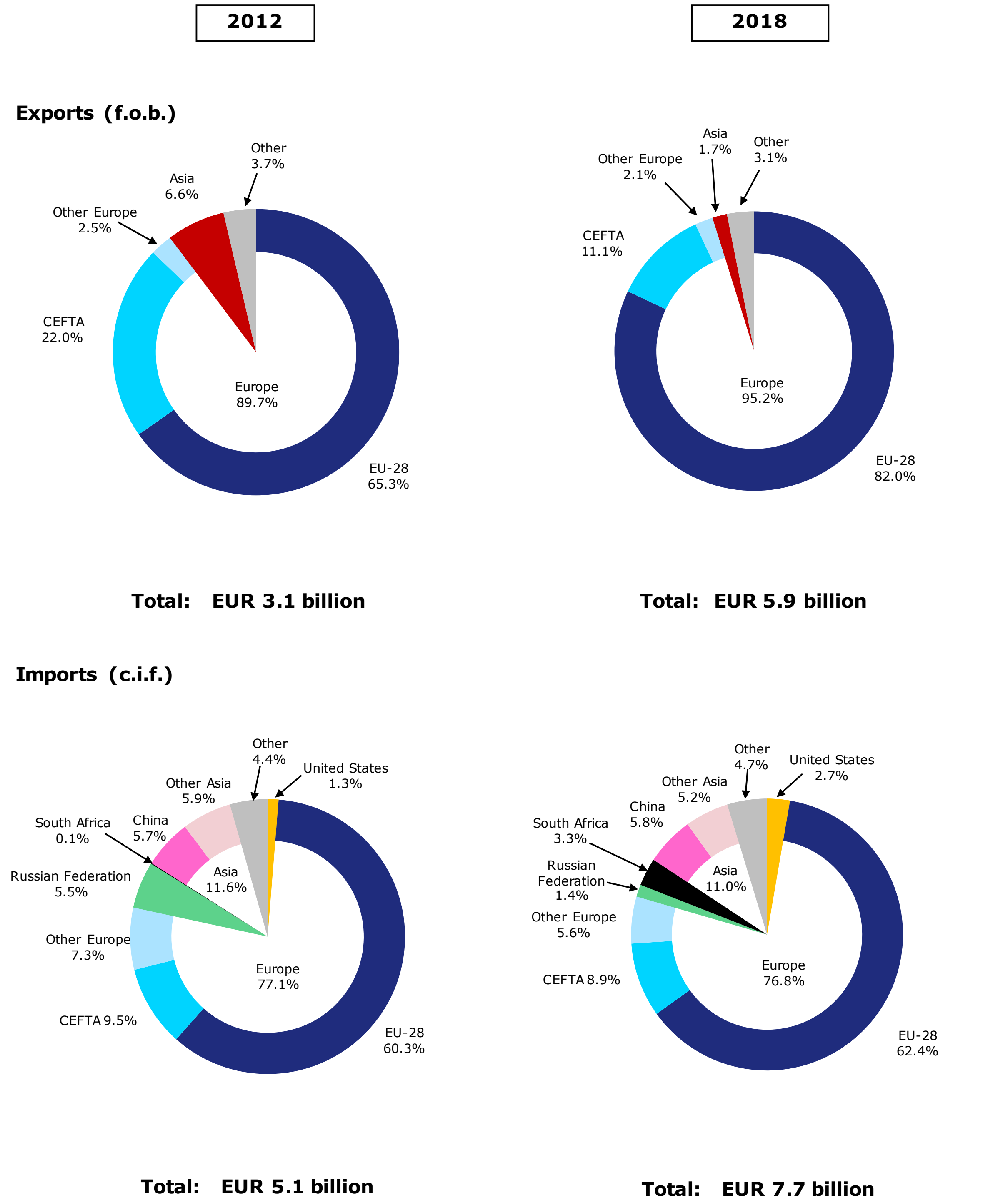

Source: WTO Secretariat calculations, based on Republic of North Macedonia, State Statistical Office's MaKStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

1.36. The European Union is by far North Macedonia's largest export market (Chart 1.2), increasing from 65.3% in 2012 to 82.0% in 2018. Central European Free Trade Agreement (CEFTA) countries held a declining distant second position (22.0% in 2012, 11.1% in 2018). The share of other European countries remained quasi-constant (2.5% in 2012, 2.1% in 2018), while that of Asia and others, including United States, declined (Table A1.3).

1.37. The sources of imports (Chart 1.2) remained more stable. There too, the European Union’s relative share came first and increased, but from a lower base and only slightly (from 60.3% to

62.4%). The Russian Federation's share declined, whereas that of United States improved. CEFTA's and China's shares remained quasi-stable (Table A1.4).

### Chart 1.2 Direction of merchandise trade, 2012 and 2018




Note Croatia was counted in the EU-28, although it only acceded to the European Union on 1 July 2013.

Source: WTO Secretariat calculations, based on the State Statistical Office, MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

### 1.3.2 Trends and patterns in FDI

1.38. Sustained FDI inflows during the period under review increased the FDI stock by 27% (Table 1.4). In terms of origin, the European Union remains, by far, the largest investor, though with a slightly declining share (81.5% in 2012, 76.7% in 2017). It is followed by Turkey (3.9% in 2012, 5.4% in 2017) and Switzerland (2.4% in 2012, 3.9% in 2017). China, who was not present in 2012, now holds fourth place, with 2.3%.

1.39. Services are the first economic sector in terms of FDI stocks, though with a declining share (48.1% in 2012, 45.2% in 2017). Financial services (24.2% in 2012, 20.5% in 2017) and distribution (12.3% in 2012, 14% in 2017) are the two largest sub-sectors.

1.40. Manufacturing is the second sector in terms of FDI stocks, and its share increased (34.8% in 2012, 36.6% in 2017). This progression is largely due to vehicles and other transport equipment, whose sub-share more than doubled (7.2% in 2012, 15.7% in 2017). Energy and construction come third and fourth, and their respective shares increased due to recent infrastructural investments.

**Table 1.4 FDI inward stock, 2012-17**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2012 | 2017 |
|---|---|---|---|---|---|---|---|---|
| | Value in EUR million | | | | | | % of total | |
| **Total** | **3,685.5** | **3,980.0** | **4,023.6** | **4,400.1** | **4,657.3** | **4,697.8** | **100** | **100** |
| **By major origins** | | | | | | | | |
| EU-28[a] | 3,003.1 | 3,355.2 | 3,282.8 | 3,472.8 | 3,605.1 | 3,602.2 | 81.5 | 76.7 |
| Turkey | 145.3 | 168.1 | 182.1 | 214.6 | 247.8 | 252.3 | 3.9 | 5.4 |
| Switzerland | 88.5 | 72.0 | 173.8 | 152.1 | 179.6 | 184.4 | 2.4 | 3.9 |
| China | 1.3 | 1.0 | -3.1 | 10.2 | 36.7 | 110.1 | 0.0 | 2.3 |
| **By sector** | | | | | | | | |
| Agriculture, forestry and fishing | 36.5 | 42.9 | 43.6 | 43.8 | 46.4 | 23.8 | 1.0 | 0.5 |
| Mining and quarrying | 156.4 | 164.8 | 182.3 | 119.3 | 116.7 | 77.0 | 4.2 | 1.6 |
| Manufacturing, of which: | 1,281.5 | 1,388.9 | 1,435.8 | 1,563.7 | 1,685.6 | 1,718.0 | 34.8 | 36.6 |
| Vehicles and other transport equipment | 264.5 | 360.7 | 449.9 | 557.6 | 655.9 | 736.6 | 7.2 | 15.7 |
| Basic metals and fabricated metal products | 392.7 | 378.5 | 362.6 | 338.2 | 284.3 | 260.4 | 10.7 | 5.5 |
| Food products, beverages and tobacco products | 261.1 | 250.3 | 240.4 | 263.0 | 265.5 | 248.7 | 7.1 | 5.3 |
| Textiles and wearing apparel | 74.4 | 89.5 | 90.4 | 96.9 | 146.6 | 150.7 | 2.0 | 3.2 |
| Electricity, gas, steam and air conditioning supply | 278.8 | 296.5 | 327.7 | 327.4 | 365.2 | 380.7 | 7.6 | 8.1 |
| Water supply; sewerage, waste management and remediation activities | 2.9 | 2.2 | 2.3 | 4.3 | 4.4 | 2.8 | 0.1 | 0.1 |
| Construction | 157.1 | 199.1 | 201.3 | 231.2 | 337.6 | 371.0 | 4.3 | 7.9 |
| Services | 1,772.2 | 1,885.5 | 1,830.6 | 2,109.3 | 2,100.3 | 2,124.6 | 48.1 | 45.2 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 453.9 | 489.4 | 505.3 | 706.4 | 666.0 | 658.2 | 12.3 | 14.0 |
| Transportation and storage | 39.0 | 41.0 | 39.6 | 39.4 | 34.5 | 30.1 | 1.1 | 0.6 |
| Accommodation and food service activities | 41.5 | 35.4 | 32.8 | 43.9 | 42.0 | 40.2 | 1.1 | 0.9 |
| Information and communication, of which: | 158.3 | 171.9 | 165.8 | 174.4 | 158.4 | 153.4 | 4.3 | 3.3 |
| Telecommunications | 129.1 | 140.4 | 134.3 | 143.3 | 124.3 | 116.0 | 3.5 | 2.5 |
| Financial and insurance activities, of which: | 890.2 | 922.6 | 862.2 | 902.8 | 925.1 | 964.5 | 24.2 | 20.5 |
| Financial intermediation | 815.9 | 841.7 | 774.1 | 808.2 | 827.6 | 862.5 | 22.1 | 18.4 |
| Other services | 189.3 | 225.2 | 224.8 | 242.4 | 274.2 | 278.0 | 5.1 | 5.9 |
| Non- allocated | 0.1 | 0.0 | 0.0 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 |

a Croatia was counted in the EU-28, although the country only acceded to the European Union on 1 July 2013.

Source: WTO Secretariat calculations, based on National Bank statistics online information. Viewed at: http://www.nbrm.mk/pocetna-en.nspx.

# 2 TRADE AND INVESTMENT REGIMES

## 2.1 General Framework

2.1. The Republic of North Macedonia has been a parliamentary democracy since 1991, when it declared its independence from the former Socialist Federal Republic of Yugoslavia and adopted its own Constitution. The country was renamed the Republic of North Macedonia, through the conclusion of the Prespa Agreement, signed with Greece on 17 June 2018.[1] After ratification by the parliaments of both countries, the Agreement came into force on 12 February 2019, and the Government of North Macedonia made the necessary constitutional amendments to reflect this new situation. The resolution of the name issue sets the conditions for a new phase in the transformation of North Macedonia's economy and its integration into the regional and global economy.

2.2. The President of the Republic of North Macedonia is the Head of State[2], while executive power is exercised by the Government, headed by the Prime Minister.[3] The current Government is formed by a coalition of parties. It proposes the budget, laws and regulations for adoption by the legislature, and issues decrees and other regulations needed for the implementation of laws. Ministries perform their tasks pursuant to the Constitution and laws, and are accountable to the Government.

2.3. The legislative power is vested in a unicameral Assembly, which consists of 120 members elected by proportional representation. The judicial system is composed of the Supreme Court, which is the highest court, the Constitutional Court, the courts of Appeal, the constitutional courts, the Administrative Court, and the basic courts. The 22 Supreme Court judges and the Constitutional Court judges are nominated by a Judicial Council and appointed by the Assembly. The legal system is based on civil law.

2.4. North Macedonia's Program of Government for 2017-2020 focuses its reform agenda on the achievement of, *inter alia*, economic development, job creation, higher living standards of the population, a fairer taxation system, enhanced support for domestic enterprises, the rule of law and justice, efficient institutions, high-quality education and health systems, and the improvement of the country's international reputation and standing.[4] The Program also establishes membership of the European Union as one of North Macedonia's strategic priorities.

2.5. The pursuit of EU integration has been one of the main driving forces for the legal, institutional and economic reforms undertaken so far by North Macedonia. For more than a decade, the authorities have engaged in the process of aligning national legislation with EU law (*acquis communautaire*). In the area of foreign trade, this has entailed the reform of almost all trade-related legislation, with notable progress in the areas of customs, most aspects of trade policy in goods and services, public procurement, taxation, and transport. During the period under review, further progress was made in areas such as company law, competition, energy, trans-European networks, and science and research.[5]

## 2.2 Trade Policy Formulation and Objectives

2.6. The responsibility for formulating and implementing foreign trade policy and other trade-related policies rests mainly with the Ministry of Economy, working in collaboration with the Ministry of Finance and other ministries. The Ministry of Economy is in charge of negotiating, concluding and signing trade treaties and other trade-related agreements with third countries. The Ministry of Finance is responsible for cooperation with international financial institutions, and for the formulation of policies relating to banking, credit, foreign exchange, and customs.

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[1] The Prespa Agreement's full name is the Final Agreement for the settlement of the differences as described in the United Nations Security Council Resolutions 817 (1993) and 845 (1993), the termination of the Interim Accord of 1995, and the establishment of a Strategic Partnership between the Parties.

[2] The President is elected by a two-round system for a five-year term, renewable only once.

[3] The Prime Minister is appointed by the President for four years.

[4] Program of Government 2017-2020. Viewed at: https://vlada.mk/node/14647?ln=en-gb.

[5] European Commission, *Key findings of the 2018 Report on the former Yugoslav Republic of Macedonia*, 17 April 2018; and *Key Findings of the 2016 Report on the former Yugoslav Republic of Macedonia,* 9 November 2016, European Commission – Fact sheets. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/news_corner/press-releases_en.

2.7. The Customs Administration, a separate legal entity within the Ministry of Finance, has competence for the implementation of legislation on customs matters, including the collection of import tariffs and excise duties. The Agency for Foreign Investment and Export Promotion is in charge of the implementation of strategies to promote exports and to attract foreign direct investment into the country. The Ministry of Agriculture is responsible for policies and measures pertaining to the import and export of agricultural products. The promotion of the tourism and catering industries falls within the purview of the Ministry of Economy.

2.8. The authorities are committed to strengthening public-private dialogue to improve the participation of businesses and other stakeholders in the legislative and policy-making process. Several institutional channels have been set up to that end. Besides the chambers and business associations, one important channel is the National Committee on Trade Facilitation (NCTF), which was created in October 2017 and became operational in March 2018.[6] The NCTF is mandated to facilitate domestic coordination in matters pertaining to trade facilitation, and to implement the provisions of the WTO Trade Facilitation Agreement (TFA) in cooperation with all entities involved in cross-border trade. The Committee is composed of 22 institutions (nine ministries, four agencies and bureaux, three inspectorates, and six business chambers and associations).[7]

2.9. Another channel for private sector involvement is the Unique National Electronic Register of Regulations (ENER), set up in 2009 and managed by the Ministry of Information Society and Public Administration. The ENER e-portal (www.ener.gov.mk) enables the business community and the public at large to engage in the legislative process, by having access to all proposed legislation and the opportunity to make comments. Government officials at the ministries proposing new legislation, or amendments or supplements to existing legislation, must publish it and reply to all comments received, together with the reasons why a comment is accepted or declined.[8]

2.10. There are no specialized commercial courts within the national judicial system. However, pursuant to the Law on Courts, some courts have been established with extended jurisdiction to decide upon trade-related disputes and cases of copyright and industrial property rights, among other issues. The right of appeal against legal acts brought in a court or an administrative procedure is enshrined in the Constitution (Article 15). Appeals against customs and other government decisions on matters covered by the WTO agreements must follow the general rules for appeal established in the Law on Administrative Procedure. The Administrative Court has competence over disputes arising from the implementation and enforcement of public procurement and concessions contracts. The same treatment is granted to domestic and foreign parties in appeal procedures.

2.11. During the period under review, North Macedonia continued its efforts to improve the functioning of its courts and the overall judicial system, to bring it in line with EU standards, as well as to enhance the country's attractiveness as an investment destination. It appears that progress has been achieved in this area, in particular regarding measures taken to strengthen the independence of the judiciary, including the establishment of a Special Prosecutor Office in 2016, the adoption of a new strategy for judicial reform (2017-2022) and its action plan in 2017, and amendments to relevant pieces of legislation.[9]

## 2.3 Trade Agreements and Arrangements

### 2.3.1 WTO

2.12. The Republic of North Macedonia has been a Member of the WTO since 2003. The country's accession commitments were implemented within the agreed transition period, which ended in 2012. The country grants at least MFN treatment to all its trading partners. North Macedonia's trade policies were reviewed once, in 2013.

[6] Official Gazette No. 140/17, 4 October 2017.

[7] The National Council for Entrepreneurship and Competitiveness (NECC) mentioned in the previous Secretariat's TPR report is no longer operating.

[8] There are two e-portals run by the private sector which provide information on laws and regulations that directly affect business conditions (www.e-demokratija.gov.mk, and www.biznisregulativa.mk).

[9] European Commission, *Key findings of the 2018 Report on the former Yugoslav Republic of Macedonia*, 17 April 2018. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/news_corner/press-releases_en.

2.13. North Macedonia accepted the Protocol Amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in March 2010, and the Protocol concerning the Trade Facilitation Agreement in October 2015. It is a signatory to the Agreement on Trade in Civil Aircraft. In keeping with its WTO accession obligations, in March 2017, North Macedonia applied for accession to the Government Procurement Agreement[10] and, in February 2018, it circulated its initial market access offer.[11]

2.14. As regards WTO transparency obligations, North Macedonia's laws and regulations are published prior to entry into force, pursuant to Article 52 of the Constitution. They are published in the Official Gazette no later than seven days after enactment, and come into force at the earliest on the eighth day following their publication. North Macedonia has regularly notified the WTO of the trade measures it has adopted since its previous Review in 2013; however, some notifications are still pending, including on domestic support for agricultural products (Table A2.1).

2.15. Since its accession to the WTO, North Macedonia has not been involved in any proceedings under the WTO dispute settlement mechanism.

2.16. North Macedonia is a strong supporter of the rules-based multilateral trading system embodied in the WTO, which, it considers, gives greater certainty in trade relations, especially for small countries, and contributes to promoting open trade, global economic growth and job creation.[12] Along with some 40 WTO Members, North Macedonia has expressed concerns about increased trade tensions, and called on WTO Members to refrain from taking protectionist measures, and to avoid risks of escalation. Concerning the WTO's dispute settlement mechanism, it has emphasized the importance of filling the vacancies on the Appellate Body without delay.[13]

2.17. As a landlocked country, North Macedonia has a keen interest in the full implementation of the Trade Facilitation Agreement (TFA), which it expects will help facilitate transit procedures and reduce trading costs. Accordingly, the country committed to apply almost all the TFA provisions upon the entry into force of the Agreement (March 2017).[14] At the Eleventh WTO Ministerial Conference in Buenos Aires (December 2017), recognizing the need to keep pace with the developments in the global economy, North Macedonia co-sponsored the initiatives to continue work on e-commerce and on domestic regulation on services, as well as to create an informal Working Group on Micro, Small and Medium Enterprises (MSMEs) at the WTO.[15] Regarding the topics of the Doha Development Agenda, North Macedonia has traditionally supported agricultural reform in all three pillars (market access, domestic support and export subsidies), and shares the position of the recently-acceded Members (Article XII Members) that such Members should not be asked to undertaken reduction commitments in all three pillars.[16] Likewise, in non-agricultural market access, the country supports the Article XII Members' position that they should be excluded from further tariff reductions, considering the substantial market access commitments undertaken during accession, and it took a similar position in the services negotiations. Regarding the TRIPS Agreement, North Macedonia supports the protection of biodiversity and traditional knowledge, and a higher level of protection for products with geographical indications.

### 2.3.2 Regional and preferential agreements

2.18. North Macedonia is a party to five free trade agreements (FTAs). It concluded agreements with the European Union, the European Free Trade Association (EFTA) and the Central European Free Trade Agreement (CEFTA), and two bilateral agreements with Turkey and Ukraine. These agreements provide the overall framework for the country's regional cooperation and deeper integration into European economic and political processes. All five agreements were notified to the WTO and four of them were considered by the Committee on Regional Trade Agreements.[17] At the

[10] WTO document GPA/143, 17 March 2017.

[11] WTO document GPA/ACC/MKD/4, 28 February 2018.

[12] WTO document WT/MIN(17)/ST/66, 18 December 2017.

[13] WTO document WT/GC/192/Rev.1, 29 May 2018.

[14] North Macedonia notified as category A commitments all provisions of the TFA, except two. WTO documents WT/PCTF/N/MKD/1, 13 February 2015; and G/TFA/N/MKD/2, 30 January 2018.

[15] Joint Ministerial Statements, WT/MIN(17)/60, WT/MIN(17)/61, and WT/MIN(17)/58, respectively, all dated 13 December 2017.

[16] Upon accession to the WTO, in the area of agriculture, North Macedonia committed to a very low level of domestic support, substantial market access, and to provide no export subsidies.

[17] For more details, see the WTO's RTA database at: http://rtais.wto.org/.

time of writing this report, a draft factual presentation on the CEFTA had been prepared by the WTO Secretariat and was being considered by the CEFTA parties.

2.19. Most of North Macedonia's foreign trade is carried out with its FTA partners. In 2018, 95% of the country's exports and 78% of its imports took place under the above-mentioned FTAs (Section 1.3.1).

#### 2.3.2.1 Stabilization and Association Agreement (SAA) with the European Union

2.20. The SAA signed between North Macedonia and the European Union is in force since April 2004 and remains the main framework for their bilateral relationship.[18] It aims to create a close, long-term association between the two, and constitutes the legal instrument for North Macedonia's alignment to the EU *acquis* and its progressive integration into the EU market. Article 68 of the SAA establishes the obligation to gradually approximate North Macedonian laws with those of the European Union, and sets out as priority areas for harmonization with the internal market *acquis* the following: competition law, public procurement law, standards and certification law, intellectual property law, and data protection law. The process of legal harmonization takes place within the framework of the National Programme for the Adoption of the *Acquis Communautaire*, established in 2006 and revised every year, and through the EU Commission progress reports.

2.21. With reference to trade, the SAA contains provisions on both goods and services. As stated in the parties' 2017 SAA implementation report, submitted to the WTO Committee on Regional Trade Agreements, two-way trade between the European Union and North Macedonia was completely liberalized over a maximum period of ten years.[19] The pace of liberalization was asymmetric, with the European Union liberalizing at a faster rate. All EU imports of industrial and agricultural products (except for baby beef and wine) originating in North Macedonia were liberalized from the outset; only imports of fishery products were subject to a tariff reduction over a period of three years. Imports into North Macedonia of industrial products originating in the European Union were liberalized over a ten-year period, whereas agricultural goods, processed agricultural products and fishery products were subject to a liberalization period of six years. Some goods were subject to tariff-rate quotas (TRQs): North Macedonia maintained TRQs on certain agricultural products (meat, butter, milk, cheese, citrus fruits, olives, maize, and sugar) and crude oil. The European Union maintained TRQs on baby-beef products. North Macedonia excluded some tariff lines from tariff concessions (such as some fruits and vegetables, and some processed agricultural products), and the European Union excluded wine, which is the object of a separate agreement. The SAA was amended to take into account further EU enlargements (2004, 2007 and 2013).

2.22. The SAA provisions on trade in services cover all four modes of supply. The only excluded sectors are: air transport, inland water transport, and maritime cabotage services. The SAA also includes provisions on, *inter alia*, rules of origin, export duties and restrictions, standards, trade defence instruments, investment, intellectual property, government procurement, competition, environment, and cooperation on a wide range of activities. The Stabilisation and Association Council and Committee, established by the SAA, meet once a year to supervise the application and implementation of the Agreement.

2.23. Resulting from the full implementation of the SAA, 97.9% of the EU-28 tariff lines on imports from North Macedonia were duty-free and quota-free as at 1 January 2014, covering 98.8% of total EU-28 imports from the country.[20] At present, 90.5% of North Macedonia's tariff lines on imports from the EU-28 are duty-free. The European Union is North Macedonia's largest trading partner. In 2018, the country's trade with the European Union totalled EUR 9.6 billion, accounting for 82% of its exports and 62% of its imports.

2.24. North Macedonia was granted candidate country status for EU membership in December 2005 and has received positive recommendations from the European Commission to launch accession talks since 2009. In April 2018, the Commission recommended that the European Council decide that accession negotiations be opened with North Macedonia in light of the progress achieved and

[18] The text of the SAA can be viewed at: https://eeas.europa.eu/delegations/former-yugoslav-republic-macedonia/14875/stabilisation-and-association-agreement-saa-between-european-communities-and-their-member_en.
[19] WTO document WT/REG129/R/I, 22 August 2017.
[20] WTO document WT/REG129/R/I, 22 August 2017.

in view of the sustained reform momentum.[21] In June 2018, the European Union Council of Ministers agreed to respond positively to the recent progress made by North Macedonia, particularly on the implementation of institutional reforms and the resolution of name issue with Greece, and set out the path towards opening accession negotiations in June 2019.[22]

#### 2.3.2.2 Free Trade Agreement with the European Free Trade Association (EFTA)

2.25. The FTA between North Macedonia and the EFTA States (Iceland, Liechtenstein, Norway and Switzerland) was signed in June 2000 and entered into force in May 2002. It covers trade in industrial products, including fish and marine products.[23] Trade in agricultural goods is regulated by separate bilateral agreements between each individual EFTA State and North Macedonia.

2.26. EFTA imports of industrial products from North Macedonia were liberalized on the date of entry into force of the FTA, while imports into North Macedonia of industrial products originating in EFTA States were liberalized over a ten-year transition period; full liberalization of the industrial sector was achieved in January 2011.

2.27. In addition, the FTA contains disciplines relating to the elimination of other trade barriers; standards; competition rules; protection of intellectual property; public procurement; state monopolies; state aid; and payments and transfers. Rules regarding trade in services were left for future discussions. A Joint Committee established under the Agreement supervises its implementation.

2.28. In 2018, exports from North Macedonia to EFTA States accounted for 0.7% of its total exports, while imports from them made up 0.9% of total imports. Total trade between EFTA States and North Macedonia was EUR 112.2 million.

#### 2.3.2.3 The Central European Free Trade Agreement (CEFTA)

2.29. The CEFTA was signed in December 2006 and entered into force across the various parties between July and November 2007.[24] To date, its signatories are Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Moldova, Montenegro, Serbia and Kosovo.[25] The CEFTA aims, *inter alia*, to progressively establish a free trade area covering trade in goods and services, and foster investment and regional integration. The CEFTA is also expected to enhance individual countries' efforts towards EU accession. The Joint Committee, composed of representatives of each CEFTA party, is responsible for administering and supervising the implementation of the Agreement.

2.30. Prior to the entry into force of the CEFTA 2006, North Macedonia had agreed to free trade in industrial and agricultural products with Serbia, Montenegro, and Bosnia and Herzegovina under pre-existing bilateral FTAs. Free trade was established with Kosovo in January 2008 and with Albania in November 2011. An additional Protocol with Albania (effective 15 November 2011), and two protocols with Moldova (13 January 2012 and 4 March 2015) fully liberalized trade in agricultural products, some of which had been hitherto subject to quotas or regular import duties.[26]

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[21] European Commission, *Key findings of the 2018 Report on the former Yugoslav Republic of Macedonia*, 17 April 2018. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/news_corner/press-releases_en.

[22] Conclusions of the 26 June 2018 EU General Council of Ministers, p.16. In this respect, the Council underlined the need for North Macedonia to continue to make progress on institutional reform, particularly with respect to "(i) judicial reforms and proactive investigations, prosecutions and final convictions in corruption and organized crime cases, including at high level; (ii) intelligence and security services reform; (iii) public administration reform." For the complete text of the 26 June 2018 Conclusions of EU Council (general affairs) on North Macedonia, see: https://www.consilium.europa.eu/media/35863/st10555-en18.pdf, pages 14-16.

[23] The text of the Agreement can be viewed at: http://www.efta.int/media/documents/legal-texts/free-trade-relations/macedonia/EFTA-Macedonia%20Free%20Trade%20Agreement.pdf.

[24] The CEFTA and its associated legal documents can be viewed at: http://cefta.int/legal-documents/#1463498231136-8f9d234f-15f9.

[25] All References to Kosovo in this Report should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

[26] The last remaining quotas on wine between North Macedonia and Moldova were eliminated in February and March 2015.

2.31. Under CEFTA 2006, the parties achieved full liberalization of trade in industrial and agricultural products in 2015. Other achievements include the mutual opening of public procurement markets, the review of CEFTA rules on intellectual property rights (Annex 7), and the implementation of a CEFTA Transparency Pack for the exchange of information on trade measures such as technical barriers to trade, sanitary and phytosanitary measures, market access and state aid, as well as the creation of the CEFTA Trade Portal.

2.32. During the review period, further progress on CEFTA implementation was made in the following areas: application of full cumulation and removal of the prohibition of duty drawback among CEFTA countries; ongoing negotiations for the gradual liberalization of trade in services (a draft protocol was finalized); the conclusion of an additional Protocol on Trade Facilitation in 2016, which entered into force in 2018 for all CEFTA parties (except Kosovo); the identification of issues to be addressed for the potential development of regional agreements on investment; and the enhancement of capacity building and transparency. Ratification of the Pan-Euro-Mediterranean (PEM) Convention was also a key outcome for CEFTA countries.

2.33. In 2018, North Macedonia sent 11.1% of its total exports to other CEFTA parties, and received imported 8.9% of its total imports from that group. The country's total trade with its CEFTA partners amounted to EUR 1.3 billion in that year.

#### 2.3.2.4 Free Trade Agreement with Turkey

2.34. The FTA between North Macedonia and Turkey was signed in 1999 and entered into force in September 2000.[27] Turkey removed all tariffs on industrial goods originating in North Macedonia upon the entry into force of the Agreement; and North Macedonia achieved the elimination of its tariffs on imports of industrial products originating in Turkey after a transition period, which ended in 2007. The liberalization of the industrial sector was completed as at January 2008. Regarding agricultural goods, special preferential treatment is granted by both parties in the form of tariff quotas.

2.35. Two-way trade with Turkey amounted to EUR 442.4 million in 2018, representing 1.4% of North Macedonia's exports and 4.7% of its imports.

#### 2.3.2.5 Free Trade Agreement with Ukraine

2.36. The FTA between North Macedonia and Ukraine was concluded in 2001 and entered into force in the same year.[28] Under the Agreement, both parties committed to eliminate tariffs on each other's products in a gradual manner. Free trade in the industrial sector was established in 2009, after a five-year transition period for sensitive products and seven years for the most sensitive industrial goods. Under a Decision signed on 30 May 2009, agricultural products subject to tariff quotas within the FTA were to be fully liberalized, while the remaining agricultural products were to be subject to regular customs duties. The Decision has not yet come into effect. In May 2018, the two countries agreed to reopen negotiations in this respect, with the aim of achieving full liberalization of trade in agricultural and processed food products. The negotiations are ongoing.

2.37. Bilateral trade between North Macedonia and Ukraine almost doubled in 2018, compared to the previous year, amounting to EUR 112.7 million. Imports into North Macedonia from Ukraine represented 1.4% of total imports, while exports to Ukraine made up only 0.1% of total exports.

### 2.3.3 Other agreements and arrangements

2.38. North Macedonia is a beneficiary of the generalized systems of preferences (GSP) applied by Kazakhstan, New Zealand and the Russian Federation. It also benefits from the European Union's trade preferences for countries of the Western Balkans. The country is a member of the Global System of Trade Preferences among Developing Countries (GSTP).

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[27] The text of the Agreement can be viewed at: https://wits.worldbank.org/GPTAD/PDF/archive/Macedonia-Turkey.pdf.
[28] The text of the Agreement can be viewed at: https://wits.worldbank.org/GPTAD/PDF/archive/FYROM%20-%20Ukraine.pdf.

## 2.4 Investment Regime

2.39. Attracting foreign direct investment (FDI) remains a key component of the Government's strategic objectives of increasing competitiveness and achieving higher economic growth and development. The current Programme of Government establishes as one of its priorities the development of domestic enterprises' backward linkages with foreign companies operating in the country.

2.40. Over the years, North Macedonia has been committed to improving the investment climate, and making it more stable and predictable, to attract higher levels of both domestic and foreign investment. These efforts have been recognized. For example, North Macedonia ranked 10th (out of 190 economies) in the World Bank's Ease of Doing Business ranking in 2017, and 11th in 2018. In addition, among the top 20 rankings, the country implemented the second highest number of business regulation reforms since the early 2000s.[29]

2.41. As a small and open economy, North Macedonia has also taken measures to increase its attractiveness to foreign investors, such as the provision of financial and fiscal incentives, targeted investment promotion strategies, and the establishment of Technological Industrial Development Zones. It has adopted legislation that grants equal treatment to foreign investors in relation to their domestic counterparts, and has signed bilateral investment treaties, double taxation treaties and multilateral conventions that provide strong protection standards for foreign investors.

2.42. The investment regime is generally open to FDI, with only a few legal restrictions: in domestic and international air transport and gambling, foreign ownership is limited to 49% of a firm's capital.[30] Foreign ownership of non-agricultural land is unrestricted for investors from EU countries, and is conditional on reciprocity for investors from other countries; whereas access to agricultural land is only possible through leasehold. In practice, however, the maintenance of state-owned enterprises which are dominant in some business sectors such as electricity transmission, railway transport and waste management, may constitute *de facto* barriers to both foreign and domestic investments.[31]

2.43. There is no specific law regulating foreign investment; the legal framework applicable to foreign investors is provided by various laws, including the Constitution, the Law on Trading Companies, the Law on Foreign Exchange Operations, the Law on Expropriation, the Law on Technological Industrial Development Zones, the Law establishing the Agency for Foreign Investments and Export Promotion (known as Investment Macedonia), and a number of sectoral laws and international treaties.

2.44. The Constitution guarantees equal rights for both national and foreign persons and legal entities when conducting economic activities in the country, except as otherwise provided for by the law. Foreign investors may acquire property rights for buildings and other immovable assets used for their business activities, as well as full ownership rights over construction land, through a locally-registered company.

2.45. The Law on Trading Companies grants post-establishment national treatment of foreign firms (whether subsidiaries, branches or representative offices), unless otherwise stipulated by an international agreement and/or by a law regulating foreign companies with a specific scope of operations. The Law establishes five forms of trading companies: public trade (general partnership), limited partnership, limited liability company, joint stock company, and limited partnership by shares.

2.46. The Law on Foreign Exchange Operations stipulates that foreign investors are free to transfer abroad profits, proceeds from the disposal or sale of ownership shares in direct investment, and the remainder of a liquidated investment, provided they have registered their direct investments

[29] World Bank Group, *Doing Business 2017* and *Doing Business 2018.* Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB17-Report.pdf, and http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf.

[30] UNCTAD (2017), *Investment Policy Review. South-East Europe*, United Nations, Geneva. Viewed at: http://unctad.org/en/PublicationsLibrary/diaepcb2017d6_en.pdf.

[31] World Bank. Viewed at: http://iab.worldbank.org/Data/ExploreEconomies/macedonia-fyr#investing-across-sectors.

according to this Law, and have fulfilled all legal obligations regarding taxes and social insurance contributions in North Macedonia. The same Law requires foreign firms and non-residents to report their direct investments and all subsequent modifications to the Register of Direct Investments within 60 days of the date of the capital transaction, and their acquisition of real estate to the Register of Investments in Immovable Property within 60 days of the purchase. Apart from these two requirements, establishment procedures are the same for both national and foreign investors in most economic sectors. While foreign exchange transactions of non-residents are liberalized, residents of North Macedonia are not allowed to open deposits accounts abroad (with certain exceptions), to buy real estate or to buy securities abroad which are not traded on foreign stock exchanges that have agreements with the country.[32]

2.47. Expropriation is possible in instances of war, natural disaster, or for reasons of public interest. According to the Constitution and the Law on Expropriation, the State must pay rightful compensation, not lower than the market value of the expropriated property, plus interests due from the date of expropriation if the payment is not made within 15 days of the decision on expropriation. The legislation does not refer to the issue of regulatory takings, but this matter is regulated by the country's bilateral investment treaties.

2.48. The Law on Technological Industrial Development Zones (TIDZs) provides for special tax treatment, customs exemptions and other incentives to companies that will invest in the designated TIDZs (Section 3.2.4). The Law establishing the Agency for Foreign Investments and Export Promotion regulates the activities undertaken by Investment Macedonia to attract foreign investment and promote exports.

2.49. A new development since the last TPR is the promulgation of the Law on Financial Support for Investments (LFSI) in May 2018. Its objective is to stimulate economic growth and increase employment and competitiveness by fostering productive investment. It sets out different types of financial support measures for both domestic and foreign investments, including the amounts, eligibility conditions and requirements. Details about the forms of financial support are provided in Section 3.3.2.

2.50. North Macedonia's institutional framework for investment includes several ministries and agencies. The Ministry of Economy and the Deputy Prime Minister responsible for economic affairs are in charge of formulating investment policy. Invest Macedonia is the official agency responsible for developing and implementing strategies to attract FDI and promote exports. Its mission is to encourage and support new FDI into the country, establish and enhance business cooperation with local suppliers, and foster the export potential of local companies. It functions as a single port of call for potential investors. The Directorate for Technological Industrial Development Zones is responsible for the management of the country's special economic zones, and also plays an active role in investment promotion, particularly in the automotive components industry, which is the main activity within the TIDZs. In addition, three ministers without portfolios are engaged in FDI matters, and one is in charge of the Regulations for Improvement of the Investment Climate for Domestic Companies. All of them have responsibilities for executing a broad range of policies to secure business and investment opportunities in the country.

2.51. At the regional level, North Macedonia and five other Western Balkan economies (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia) are working to harmonize national investment policies among them, using EU standards and international best practices. The Regional Investment Reform Agenda (RIRA), adopted in May 2018 in the context of the Multiannual Action Plan for a Regional Economic Area (MAP REA)[33] and the CEFTA legal framework, sets out the roadmap for creating a dynamic investment space in the six Western Balkan economies (WB6). The RIRA is intended to contribute and add value to national investment reform efforts, and ensure transparent and fair competition by mitigating a "race to the bottom" in attracting FDI among the WB6 economies. The ultimate objective is to increase the attractiveness of the region for foreign and

[32] UNCTAD (2017), *Investment Policy Review. South-East Europe*, United Nations, Geneva. Viewed at: http://unctad.org/en/PublicationsLibrary/diaepcb2017d6_en.pdf.

[33] The MAP REA was adopted in July 2017 in Trieste. It establishes a structured agenda for regional economic integration of the WB6 by promoting further trade integration, introducing a dynamic regional investment space, facilitating regional mobility, and creating a digital integration agenda.

intraregional businesses, and foster higher investment and trade flows, entrepreneurial activity and jobs.

2.52. Based on the RIRA, North Macedonia adopted a National Investment Reform Action Plan in January 2019. The Plan provides a detailed set of reform actions with specific implementation periods, lead agencies, expected outputs, and donor support that will be required to achieve the targets set out in the RIRA. The policy areas covered by the Plan include investment entry and establishment; investment protection and retention; and investment attraction and promotion (including streamlining incentives and improving their transparency and governance). The reform actions are to be implemented by end-2020.

2.53. North Macedonia is a signatory to 40 bilateral agreements for mutual protection and promotion of foreign investment, of which 35 are currently in force, including some with the country's main investment partners such as individual EU member States, China, Switzerland, the Russian Federation, and Turkey. Since the previous TPR, new bilateral investment treaties (BITs) were concluded with Azerbaijan (2013), Viet Nam (2014) and Denmark (2015), which have all entered into force.[34] The bilateral investment agreement with India was terminated in October 2018, upon request of the Indian Government. The authorities plan to develop a Draft BIT Model for North Macedonia to be used in future negotiations.

2.54. North Macedonia has concluded 39 treaties for avoiding double taxation with its main economic partners worldwide, most of which are in force.[35] During the period under review, the country signed 11 new double taxation treaties (Azerbaijan, Belgium, Bosnia and Herzegovina, India, Iran, Kazakhstan, Kuwait, Luxembourg, Morocco, the United Arab Emirates, and Saudi Arabia). The Republic of North Macedonia is also a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA), and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

[34] For a list of BITs signed by North Macedonia, see UNCTAD online information. Viewed at: http://investmentpolicyhub.unctad.org/IIA/CountryBits/124#iiaInnerMenu.

[35] For a list of North Macedonian double taxation treaties, see Ministry of Finance information. Viewed at: http://www.ujp.gov.mk/en/plakjanje/category/137?print=1.

# 3 TRADE POLICIES AND PRACTICES BY MEASURE

## 3.1 Measures Directly Affecting Imports

### 3.1.1 Customs procedures, valuation, and requirements

#### 3.1.1.1 Customs procedures and requirements

3.1. The legal provisions regarding customs procedures and requirements in North Macedonia are set out in the Customs Code and several related legal acts and are implemented by the Customs Administration.[1] During the review period, North Macedonia continued to update and modernize its customs legislation, particularly with a view to achieving convergence with EU customs rules and improving the efficiency of the collection of import duties and other taxes.

3.2. North Macedonia maintains a system of registration for commercial importers. According to data provided by the authorities, 10,178 commercial importers had been registered at the end of 2018.

3.3. Under the Customs Code and the Customs Code Implementing Provisions, the customs declaration is the primary document to be lodged for imports. The customs declaration must be submitted in a specific format, the Single Administrative Document (SAD)[2], which may be lodged, in writing or electronically, with the competent customs authority. For the release of goods, the importer is required to provide, along with the declaration, the following documents: a purchase invoice (proving the purchase of the goods abroad); a transport document (international road transport, or air or railway bill of lading); a cargo manifest (accompanying the transport documents, and containing a detailed description of the goods and their packaging); and a certificate of origin, if a preferential tariff treatment applies. Furthermore, for imports of livestock, goods of animal origin and products thereof, as well as seeds, plants and related products, the goods must be accompanied by veterinary or phytosanitary certificates issued by the relevant authorities of the country of origin. Customs declarations must be submitted through the Automated System for Customs Data (ASYCUDA), a computerized customs declaration system designed by UNCTAD.

3.4. North Macedonia took several trade facilitation initiatives to implement international commitments, such as those under the Trade Facilitation Agreement (TFA) and the World Customs Organization Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. To date, North Macedonia has implemented 99.2% of its commitments under the TFA, which it accepted in October 2015, and will have implemented another 0.8% by December 2019 without capacity-building support.[3] In January 2018, North Macedonia ratified the CEFTA Additional Protocol 5 on Trade Facilitation.[4]

3.5. In July 2015, North Macedonia became a party to the Convention on a Common Transit Procedure and the Convention on the Simplification of the Formalities in Trade in Goods between EU member States and EFTA countries. These Conventions, which were concluded in 1987 and entered into force in 1988, provide for easier and faster movement of goods, as transit procedures require only a single transit declaration to be submitted in electronic form. North Macedonia has been applying the New Computerized Transit System (NCTS) since March 2014. This aims to facilitate

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[1] The Customs Code was amended most recently in 2018. Other acts relating to customs procedures include: the Customs Code Implementing Provisions (2018); the Law on Administrative Fees (2016); the Rulebook on the Type and Amount of Fees Payable for Services Rendered by Customs (2015); the Rulebook on the Manner of Completing the Customs Declaration and List of Codes used for Completing the Customs Declaration (2018); the Law on Customs Tariff (2015); the Law on Excise Duties (2018); the Law on Customs Measures for the Protection of Intellectual Property Rights (2016); the Law on Representation Activities in Customs Procedures (2016); and the Implementing Regulation of Reliefs of Customs Duty (2014). The years in parentheses indicate the year of the most recent amendments.

[2] The contents of the form are laid down by the Rulebook on the Manner of Completing the Customs Declaration and List of Codes used for Completing the Customs Declaration, as amended in 2018.

[3] TFA Database. See also WTO documents WT/PCTF/N/MKD/1, 13 February 2015, and G/TFA/N/MKD/2, 30 January 2018. Communications from North Macedonia pursuant to various notification requirements of the TFA can be found in WTO documents G/TFA/N/MKD/1, 22 September 2017, G/TFA/N/MKD/1/Rev.1, 16 January 2018 and G/TFA/N/MKD/1/Rev.2, 12 November 2018.

[4] Official Gazette No. 12/2018.

transit, through the electronic exchange of messages between economic operators and customs offices, and between customs offices.[5]

3.6. Since 2009, the Customs Code has contained provisions on Authorized Economic Operator (AEO) status. AEOs benefit from simplified safety- and security-related customs controls and procedures. In 2018, amendments were made to the Customs Code and the Customs Code Implementing Provisions to harmonize these AEO provisions with the relevant provisions of the EU Customs Code, the EU Customs Code Implementing Act and the EU Customs Code Delegating Act. Pursuant to these amendments, two new categories of AEO were recently introduced: AEO for Customs Simplification, and AEO for Security and Safety.

3.7. MAKCIS, an automated system for the management of customs procedures, has been operational since 1998. Under this system, all customs declarations are processed through ASYCUDA and are automatically imported into the Customs Headquarters' database; reference data, for example on tariff rates, is updated; and information on payments, customs regimes, including TIR transit and warehousing, is disseminated from the Customs Headquarters to all other sites within the Customs Administration. The Portal for Electronic Communication (PCU) is an online system for electronic document exchange introduced in September 2010. The system enables external users to submit various types of requests to the Customs Administration in electronic form. The e exchange intends to improve the efficiency of both the Customs Administration and the business community. To utilize the system the user is required to register with the PCU. There are currently 482 active PCU users. EXIM is the Single Window System for Import, Export and Transit Certificates and Customs Quotas introduced in 2008, which links 16 institutions with competence in foreign trade operations. It enables the electronic submission of applications for licenses for import, export and transit by economic operators.

3.8. A prominent recent initiative to align North Macedonia's customs administration with the EU *acquis* is the development of a new Customs Declarations and Excise Documents Processing System (CDEPS), which will replace the current ASYCUDA computerized declaration system. The aim of the CDEPS is to enable communication with companies via web portal and system-to-system communication by using web services.[6] The CDEPS will establish a paperless environment in the customs operation, as well as interoperability with the customs systems of the European Union. It will also enable integration and interconnection with the NCTS, EXIM and the Integrated Tariff Environment (ITE).[7] The CDEPS includes the exchange of information with other governmental institutions through the system for interoperability of the Ministry of Information Society and Public Administration. Thus, all customs procedures that are implemented on paper will be replaced by electronic procedures. The authorities expect that the CDEPS will become fully operational in June 2019.

3.9. The Customs Administration implements a selectivity system, where imports are screened against pre-determined risk criteria and then processed through the appropriate customs channel. The categories are: "red channel", where imports are subject to full documentation and physical inspection; "yellow channel", for goods that are released with documentary checks and no physical inspection; "blue channel", for goods requiring post-clearance control; and "green channel", for goods benefiting from immediate release with no control. The authorities indicated, based on data for the third quarter of 2018, that imports through the red and yellow channels are cleared in 3 hours and 48 minutes on average and 2 hours and 17 minutes on average, respectively. The authorities indicated that the average processing time for the customs clearance of goods is 47 minutes.

3.10. According to recent reports and studies, the efficiency of North Macedonia's customs procedures has improved. The World Bank Group Doing Business Report for 2019 ranks it 29th out of 190 economies surveyed under its *Trading Across Borders Index,* whereas in 2013, it was ranked

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[5] Ministry of Finance and Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/e-carina-2/ncts-mk.

[6] Ministry of Finance and Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/e-carina-2/socdad-mk.

[7] The recent introduction of the ITE is also part of the process of harmonization with relevant EU customs rules. The ITE is designed to provide online access to comprehensive information on tariff and non-tariff measures.

76th out of 185.[8] The score of an economy on this Index is determined by the time and cost for documentary compliance and border compliance to export and import. In 2018, the time required to import a shipment of goods into North Macedonia was three hours for documentary compliance[9] and eight hours for border compliance[10], while the cost of importing a shipment of goods was USD 50 for documentary compliance and USD 150 for border compliance.[11]

3.11. The Customs Administration actively participates in inter-agency cooperation to promote the electronic exchange of customs data, aimed at preventing customs fraud, smuggling and crime, improving cooperation between customs officers at the operational level, facilitating trade, and ensuring security at regional and international levels.[12] It also participates in the work of the National Coordination Centre for Organised Crime and the National Border Management Coordination Centre.[13]

3.12. As discussed in Section 3.3.8, during the period under review, North Macedonia adopted new legislation regarding the application of customs measures for the protection of intellectual property rights.

#### 3.1.1.2 Customs valuation

3.13. Customs valuation in North Macedonia is regulated by the Customs Code, as amended in 2018, the Customs Code Implementing Provisions, as amended in 2018, and Article 7 of the GATT 1994.

3.14. The Customs Code provides different methods (explained in the By-law on Customs Value) for customs value determination. The following hierarchical methods are followed: transaction value; transaction value of identical goods; transaction value of similar goods; deductive method; computed method; and fall-back method. An exception from the hierarchic method can only be made on the demand by the declarant for replacement of the deductive method with the computed method.

3.15. For the enforcement of the customs valuation procedure, a declaration of value must be submitted, which includes information on: whether other payments, apart from the amount given in the invoice, have been or must be settled; the type of transaction; the requirements of the payment; the currency of the transaction; transport and insurance expenses, commissions, or residuals; and other details relevant to the determination of the good's value. The declaration is filled out by the importer or his representative, provided that the declarant has its office in North Macedonia. The declaration of value is submitted along with the SAD, the purchase invoice, the consignment note, and other commercial documents.

3.16. A declaration of value is not required for imports valued up to EUR 1,000, for non-commercial imports, and in other cases provided for in the Customs Tariff Law and in the Customs Code Implementing Provisions, as amended in 2018. Moreover, for regular imports of goods of a company from the same seller under the same conditions, the Customs Authority can waive the requirement

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[8] World Bank online information. Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/country/m/macedonia-fyr/MKD.pdf and http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB13-full-report.pdf.

[9] Documentary compliance means: obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy, and obtaining, preparing and submitting documents required by destination economy and any transit economies. It covers all documents required by law and in practice, including electronic submission of information.

[10] Border compliance means: customs clearance and inspection by customs; inspections by other agencies (if applied to more than 20% of shipments); and port or border handling at most widely used port or border of economy.

[11] World Bank online information. Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/country/m/macedonia-fyr/MKD.pdf.

[12] Ministry of Finance and Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/about-us-en/megunarodna-i-meguinstitucionalna-sorabotka.

[13] UNECE (2017). *Global Trade Facilitation and Paperless Trade Survey 2017*. Viewed at: http://www.unece.org/fileadmin/DAM/trade/TF_JointUNRCsApproach/FYRMacedonia.pdf.

that every customs declaration be accompanied by a declaration of value, but it can be requested in case of any modification of the conditions, and at least once every three years.

3.17. During the customs valuation procedure, customs authorities can ask for further data and information to determine the customs value. At the end of the procedure, a report is to be made on the determination of the customs value, which is used as the basis for the calculation of import and other duties.

3.18. Also of relevance to customs valuation are the new provisions on transfer pricing in North Macedonia's legislation on the taxation of corporate profit, which entered into force in January 2019. These provisions are designed to reflect the transfer pricing guidelines contained in the OECD/G20 Inclusive Framework to Prevent Base Erosion and Profit Shifting, which North Macedonia joined in August 2018.

#### 3.1.1.3 Pre-shipment inspection

3.19. North Macedonia has no laws or regulations relating to pre-shipment inspection and does not use pre-shipment inspection services.

#### 3.1.1.4 Special customs regimes

3.20. Under the Customs Code, as amended in 2018, customs duty relief is granted under different customs procedures, such as temporary admission, inward processing, outward processing, customs warehousing, transit, and processing under customs control (Table 3.1). During the period under review, there were no major changes with respect to these procedures.

**Table 3.1 Special customs regimes**

| Procedure | Summary |
|---|---|
| Temporary importation | The Customs Administration may provide partial or full exemption from import duties on foreign goods for temporary admission into the customs area. A temporary import permit is issued by the Customs Administration upon request. The temporary admission procedure is generally restricted to a maximum of 24 months (with a possible extension); and the goods must be intended for re-export without being modified. A full security deposit (bank guarantee or cash deposit) for the amount of import duties is required when placing the goods under the temporary importation procedure. In the case of a full and punctual re-exportation of the goods, the security deposit is returned. The main categories of goods eligible for full duty relief include pallets, containers, personal goods for sporting purposes, disaster relief materials, material for publicity purposes, etc (Article 154 of the Customs Code.) |
| Inward processing | Raw materials, semi-finished goods and ancillary materials under the inward processing procedure may be subject to partial or full exemption from import duties and VAT when entering the customs area. With the authorization issued by the Customs Administration, the imported goods are used for further processing within the country, and finished goods are exported/re-exported. In principle, the arrangement can be used for all types of goods. There are two methods used for calculation of import duties and VAT, namely:<br>– the suspension system: no customs duties or VAT are paid as long as goods are not released in the country; and<br>– the drawback system: full customs duties are refunded after the completion of the inward processing procedure and the re-exportation of the goods. |
| Outward processing | Domestic goods are temporarily allowed to be exported from the customs area in order to undergo processing operations; and the goods obtained from such operations are re-imported and released for free circulation with partial or full exemption from import duties. All types of goods are eligible for the procedure. The import duties on the re-imported products are calculated only on the basis of the value resulting from the processing operation undertaken abroad. In this regard, one of two methods is used for the calculation of import duties and VAT: the added value method; and the duty differential method. The validity period of the permit for export for outward processing depends on the case and is determined by the Customs Administration. |
| Customs warehousing | Goods can be temporarily stored without paying import duties, excise or VAT. The goods are stored in warehouses until either the relevant import duties are paid, or the goods are exported or placed under another customs procedure. Warehouses may be either public or private.<br>A public customs warehouse can be used by anyone; the storage of goods is carried out in the name of the owner of the goods. A private customs warehouse is reserved for storing goods by a warehouse keeper, not necessarily the owner of goods. In this case, the declaration for entry under the warehousing procedure must be made in the warehouse keeper's name.<br>Authorization for the operation of a customs warehouse is issued by the Customs Administration, except in the case where the customs authority operates the customs warehouse. Authorization is granted only to legal persons established in the country. The goods may remain in the customs warehouse for an unlimited period. Any type of good can be stored but, for certain types of goods, such as weapons and explosives, additional licences are required. |

| Procedure | Summary |
|---|---|
| Transit | The customs authorities approve the movement of goods from one place to another within the customs territory, without such goods being subject to the payment of import duties or other charges. |
| Processing under customs control | The procedure may allow foreign goods to be subject to processing (i.e. led to alter the state of the goods) in the customs territory, without being subject to the payment of import duties or other charges. The processed goods are released for free circulation, with the import duties applicable on the final products. The authorization is issued by the Customs Administration if the applicant fulfils the conditions, *inter alia*, the applicant being established in the country; the import goods being recognized in the processed products; sufficient resources for supervising/monitoring the procedure; and no misuse of the regulations on rules of origin (RoOs) and tariff quotas applicable to the imported goods. |
| Privileged operations – relief from import duty payment | Articles 193-198 of the Customs Code prescribe a number of goods eligible for relief from import duty payments, including:<br>- customs privileges for diplomats: exemption from customs duties, and VAT is granted on the importation of goods that are intended for the official use of embassies, consulates, international organizations and missions, as well as for the personal use of members of representations;<br>- goods for personal use during the stay (personal luggage);<br>- special equipment and technical aids for disabled persons;<br>- goods used for registered humanitarian and welfare organizations for the purpose of carrying out humanitarian activities; goods used by public museums or public art galleries;<br>- educational, scientific and cultural items for non-commercial purposes which are not manufactured in the country;<br>- equipment intended for scientific, research or innovation activities;<br>- products for use at fairs, trade exhibitions or similar events;<br>- coffins, and funerary urns and ornaments; and<br>- publications of foreign governments or international bodies intended for distribution free of charge. |

Source: Information compiled by the WTO Secretariat, based on Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/; Consolidated Version, Customs Law - Unofficial Version. Viewed at: http://www.customs.gov.mk/images/documents/zakoni/CUSTOMSLAWConsolidatedversionmay2018.pdf; and CEFTA online information. Viewed at: http://transparency.cefta.int/tradeportal/macedonia/en/about/.

### 3.1.2 Rules of origin

3.21. North Macedonia applies non-preferential and preferential rules of origin. The non-preferential origin of goods is determined on the basis of criteria enumerated in Articles 25 and 27 of the Customs Code, as amended in 2018[14], and in the Customs Code Implementing Provisions, as amended in 2018. Under the non-preferential rules, origin is assigned to the country where the product was wholly obtained or where it underwent its last substantial processing. The Customs Code stipulates that a document, issued by a Chamber of Commerce, must be produced as proof of the origin of goods. The customs authority may, in the event of reasonable doubt, require the presentation of any additional proof to ensure that the indication of origin complies with the customs rules.

3.22. Under its FTAs, North Macedonia applies preferential rules of origin to EU member States, EFTA countries, CEFTA member countries, Turkey, and Ukraine.[15] North Macedonia is a contracting party to the Regional Convention on Pan-Euro-Mediterranean (PEM Convention) preferential rules of origin, which it signed in June 2011.[16] The PEM cumulation system and the PEM Convention allow for the application of diagonal cumulation of origin among contracting parties, based on their network of FTAs with identical origin protocols. These protocols are being replaced by a reference to the PEM Convention. Hence, North Macedonia may apply diagonal cumulation of origin according to its FTAs with the European Union, the EFTA states, the CEFTA parties, and Turkey.[17]

[14] WTO document G/RO/N/45, 9 November 2004.

[15] Ministry of Finance, Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/biznis-zaednica-mk-2/presmetka-na-davacki-en/poteklo-en.

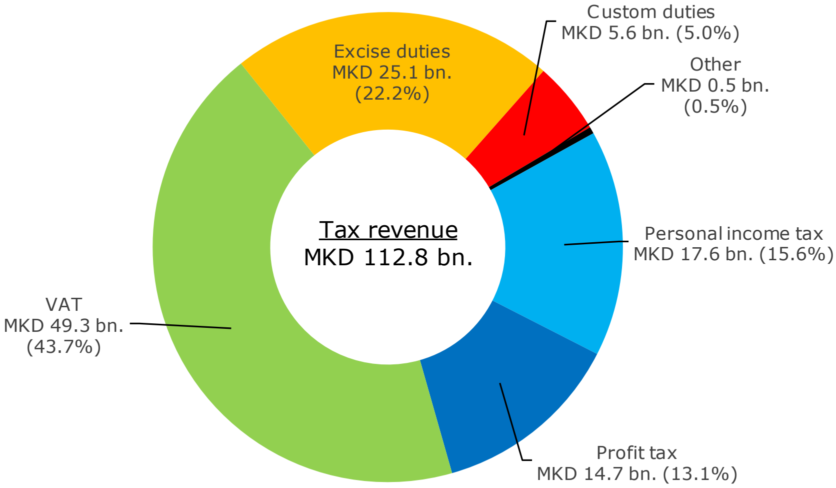
[16] Official Gazette No. 66/2012.

[17] The PEM Convention entered into force on 1 January 2012. Currently, its contracting parties are: the European Union; the EFTA States; the Faroe Islands; the participants in the Barcelona Process (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia, and Turkey); the participants in the European Union's Stabilization and Association Process (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, and Kosovo); and Moldova.

### 3.1.3 Tariffs

3.23. Imports of goods into North Macedonia are subject to customs duties, excise duties, VAT, and fees. In 2018, fiscal revenues from the collection of customs duties amounted to MKD 5.6 billion, or about 5.0% of total tax revenues. VAT accounted for nearly half of the revenue, (43.7%, MKD 49.3 billion), followed by excise duties (22.1%, MKD 25.1 billion), personal income tax (15.6%, MKD 17.6 billion) and profit tax (13.1%, MKD 14.7 billion) (Chart 3.1).

**Chart 3.1 Tax revenue distribution (and percentage of total tax revenues), 2018**




Source: National Bank of the Republic of Macedonia, Quarterly report-statistical appendix IV/2018. Viewed at: http://www.nbrm.mk/bilteni-en.nspx.

3.24. The main legislation with respect to tariffs is the Customs Tariff Law.[18] Annual amendments are made, in conformity with the EU Combined Nomenclature. The aligning amendments include the descriptions of the goods, tariff codes, and notes concerning sections and chapters, and apply as from 1 January of the following year.[19] The Customs Administration provides, on its website, the country's tariff information, including applied MFN and preferential tariffs, VAT rates, and an indication of goods subject to excise duties at the tariff line level.[20]

3.25. North Macedonia grants at least applied MFN tariff treatment to imports from all WTO Members and non-WTO Members. The 2019 tariff is based on the 2017 version of the Harmonized Commodity Description and Coding System (HS) and the EU Combined Nomenclature, and comprises 9,854 tariff lines at the 10-digit level. Tariffs are mostly assessed on an *ad valorem* basis (96.8% of all tariff lines) and are applied on the c.i.f. value of imports. However, the country continues to maintain some 313 tariff lines, equivalent to 3.2% of the total tariff lines, subject to compound and mixed duties (Chart 3.2). Unlike *ad valorem* tariffs, the level of protection by means of non-*ad valorem* duties is not evident; estimating the *ad valorem* equivalents (AVEs) of those rates allows the actual protection of non-*ad valorem* duties to be assessed.[21] The AVEs used in this Section were calculated by the Secretariat as the ratio of specific duties to import unit values, estimated using

[18] The Customs Tariff Law was originally adopted in 2003. Official Gazette 23/03. Amendments were since published in Official Gazette Nos. 69/04, 10/08, 17/08, 160/08, 35/10, 11/12, 93/13, 44/15, 81/15 and 192/15.

[19] Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/biznis-zaednica-mk-2/presmetka-na-davacki-en/carinska-tarifa-mk. The Decision on Harmonization and Modification of the Customs Tariff for 2019 was published in Official Gazette No. 227/18.

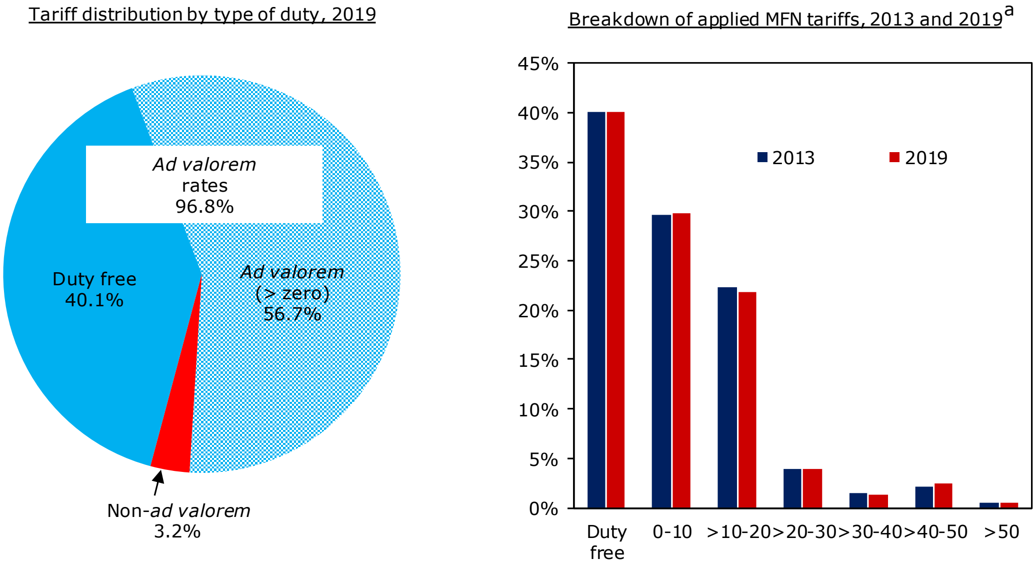
[20] Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/mk/biznis-zaednica-mk/presmetka-na-davacki-mk/carinska-tarifa-mk/1466-vodic-carinenje-stoki-mk.

[21] However, there are limits to the accuracy of estimated AVEs, as they are affected by many factors, including the base period chosen for the estimation, variations in import prices due to fluctuations of world market prices and/or exchange rates, and the source of imports (i.e. whether a tariff concession or exemption is taken into account), resulting in a wide variation in AVEs without any change in customs duties.

the ratio of import values to import quantities in 2017 (at the HS 10-digit level)[22], with the estimated AVEs ranging from 5.0% to 71.0%. Non-*ad valorem* rates are mainly concentrated on preparations of vegetables and fruits (HS 20), meat (HS 02), dairy products (HS 04), preparations of cereals (HS 19), fish (HS 03), and edible vegetables (HS 07).

### Chart 3.2 Structure of MFN tariff rates, 2013 and 2019

(% of total tariff lines)




a Calculations are based on national tariff line level (10-digit), excluding in-quota rates and including *ad valorem* equivalents (AVEs). The *ad valorem* part is used for compound and mixed rates if there is no AVE due to no imports in 2017.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.26. The simple average of the 2019 applied MFN tariff is estimated at 8.5%, which remains almost identical to that of 2013 (Table 3.2). The coefficient of variation of 1.3 indicates high dispersion, with rates ranging from zero to 75.0%, including the *ad valorem* part of mixed rates.[23] The applied MFN rates above 50%[24] apply to 201 tariff lines, mainly for wine of fresh grapes (HS 2204), and vinegar (HS 2009).

### Table 3.2 Structure of MFN tariffs, 2019

| | MFN applied | | Final bound[c] |
|---|---|---|---|
| | 2013[a] | 2019[b] | |
| Bound tariff lines (% of all tariff lines) | n.a. | n.a. | 100.0 |
| Simple average rate | 8.47 | 8.45 | 8.7 |
| WTO agricultural products | 17.4 | 17.6 | 18.2 |
| WTO non-agricultural products | 5.9 | 5.8 | 6.3 |
| Agriculture, hunting, forestry and fishing (ISIC 1) | 10.7 | 10.3 | 12.2 |
| Mining and quarrying (ISIC 2) | 3.3 | 3.3 | 3.9 |
| Manufacturing (ISIC 3) | 8.4 | 8.4 | 8.5 |
| Duty-free tariff lines (% of all tariff lines) | 40.0 | 40.1 | 35.5 |
| Simple average of dutiable lines only | 14.1 | 14.1 | 13.5 |
| Tariff quotas (% of all tariff lines) | 0.01 | 0.01 | 0.01 |
| Non-*ad valorem* tariffs (% of all tariff lines) | 3.2 | 3.2 | 3.9 |
| Non-*ad valorem* tariffs with no AVEs (% of all tariff lines) | 1.0 | 1.0 | 1.8 |
| Domestic tariff "peaks" (% of all tariff lines)[d] | 6.3 | 6.4 | 6.0 |

[22] State Statistical Office's MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

[23] The highest rate of 75% (the *ad valorem* part of 15%+0.1 EUR/kg maximum 75% (HS 1001190000)) was applied because no AVE was estimated, as there were no imports in 2017.

[24] The *ad valorem* part is included for compound and mixed rates if no estimates of AVEs are available.

| | MFN applied | | Final bound[c] |
|---|---|---|---|
| | 2013[a] | 2019[b] | |
| International tariff "peaks" (% of all tariff lines)[e] | 16.3 | 16.1 | 15.6 |
| Overall standard deviation | 11.0 | 11.1 | 10.6 |
| Coefficient of variation | 1.3 | 1.3 | 1.2 |
| Nuisance applied rates (% of all tariff lines)[f] | 1.5 | 1.5 | 1.7 |

n.a. Not applicable.

a The 2013 tariff is based on the HS12 nomenclature, consisting of 9,629 tariff lines; AVEs for 2013 were estimated based on 2012 import data. Where no import data were available, and no AVE could be estimated, the *ad valorem* part was used for compound and mixed rates.

b The 2019 tariff is based on the HS17 nomenclature, consisting of 9,854 tariff lines; AVEs for 2019 were estimated based on 2017 import data. Where no import data were available, and no AVE could be estimated, the *ad valorem* part was used for compound and mixed rates.

c Calculations for final bound rates (based on HS12), consisting of 6,774 tariff lines, were taken from the Consolidated Tariff Schedules database. AVEs for the bound rates were estimated based on 2017 import data. Where no import data were available, and no AVE could be estimated, the *ad valorem* part was used for compound and mixed rates.

d Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

e International tariff peaks are defined as those exceeding 15%.

f Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations are based on national tariff line (10-digit) level, excluding in-quota rates and including AVEs.

Source: WTO Secretariat calculations, based on data provided by the authorities, and the CTS database.

3.27. Tariffs applied to agricultural products remain considerably higher (about three-fold) than on non-agricultural goods (WTO definition). The average applied tariff on agricultural products is 17.6%, while that for non-agricultural products is 5.8% (Table 3.2 and Table 3.3). The 2019 average applied tariff on agricultural products is slightly up from 17.4% in 2013; this is mainly due to changes in estimated AVEs for some agricultural products, despite no changes in customs duties. Within agriculture, beverages, spirits and tobacco (32.9%), fruit, vegetables, and plants (21.6%), cereals and preparations (19.0%), dairy products (18.1%), and coffee, tea, and cocoa products (18.0%) are the product groups with higher average import duties. Among non-agricultural product groups, clothing has the highest tariff average rate (17.5%), followed by petroleum (15.2%), and leather, rubber, footwear and travel goods (12.7%).

## Table 3.3 Applied MFN tariff summary, 2019

| | Number of lines | Simple average (%) | Tariff range (%) | CV[a] | Share of duty-free lines (%) | Share of non-*ad valorem* tariffs (%) |
|---|---|---|---|---|---|---|
| **Total** | **9,854** | **8.5** | **0-75** | **1.3** | **40.1** | **3.2** |
| **HS 01-24** | **2,617** | **15.2** | **0-75** | **1.1** | **35.8** | **12.0** |
| **HS 25-97** | **7,237** | **6.0** | **0-25** | **1.1** | **41.7** | **0.0** |
| **By WTO category** | | | | | | |
| **WTO agricultural products** | **2,208** | **17.6** | **0-75** | **1.0** | **24.8** | **13.5** |
| Animals and products thereof | 359 | 14.5 | 0-66 | 0.6 | 10.0 | 18.7 |
| Dairy products | 153 | 18.1 | 0-66 | 0.6 | 0.7 | 30.7 |
| Fruit, vegetables, and plants | 570 | 21.6 | 0-65 | 0.7 | 12.5 | 4.9 |
| Coffee, tea, and cocoa, and cocoa preparations | 47 | 18.0 | 0-34.6 | 0.5 | 10.6 | 23.4 |
| Cereals and preparations | 237 | 19.0 | 0-75 | 0.8 | 11.4 | 14.3 |
| Oil seeds, fats, oils, and their products | 175 | 2.3 | 0-33.6 | 2.4 | 74.9 | 4.6 |
| Sugars and confectionary | 44 | 10.4 | 0-30 | 0.9 | 18.2 | 20.5 |
| Beverages, spirits and tobacco | 356 | 32.9 | 0-70 | 0.7 | 22.2 | 25.6 |
| Cotton | 6 | 0.0 | 0.0 | 0.0 | 100.0 | 0.0 |
| Other agricultural products, n.e.s. | 261 | 2.7 | 0-45 | 2.4 | 70.5 | 0.8 |
| **WTO non-agricultural products** | **7,646** | **5.8** | **0-62** | **1.2** | **44.5** | **0.2** |
| Fish and fishery products | 528 | 1.8 | 0-62 | 4.0 | 92.0 | 3.0 |
| Minerals and metals | 1,465 | 5.1 | 0-23 | 1.2 | 49.4 | 0.0 |

| | Number of lines | Simple average (%) | Tariff range (%) | CV[a] | Share of duty-free lines (%) | Share of non-*ad valorem* tariffs (%) |
|---|---|---|---|---|---|---|
| Chemicals and photographic supplies | 1,380 | 2.9 | 0-25 | 1.1 | 44.5 | 0.0 |
| Wood, pulp, paper and furniture | 473 | 2.7 | 0-18 | 1.9 | 75.9 | 0.0 |
| Textiles | 838 | 8.1 | 0-25 | 0.7 | 25.4 | 0.0 |
| Clothing | 341 | 17.5 | 17.5 | 0.0 | 0.0 | 0.0 |
| Leather, rubber, footwear and travel goods | 270 | 12.7 | 0-25 | 0.7 | 14.1 | 0.0 |
| Non-electric machinery | 915 | 4.6 | 0-16 | 1.3 | 53.8 | 0.0 |
| Electric machinery | 480 | 7.6 | 0-25 | 0.9 | 33.1 | 0.0 |
| Transport equipment | 286 | 6.4 | 0-20 | 0.9 | 23.8 | 0.0 |
| Non-agricultural products, n.e.s. | 621 | 6.4 | 0-25 | 1.0 | 40.1 | 0.0 |
| Petroleum | 49 | 15.2 | 0-20 | 0.4 | 6.1 | 0.0 |
| **By ISIC sector[b]** | | | | | | |
| ISIC 1 - Agriculture, hunting and fishing | 702 | 10.3 | 0-75 | 1.5 | 54.0 | 7.4 |
| ISIC 2 - Mining and quarrying | 116 | 3.3 | 0-15 | 1.6 | 58.6 | 0.0 |
| ISIC 3 - Manufacturing | 9,035 | 8.4 | 0-70 | 1.3 | 38.8 | 2.9 |
| **By stage of processing** | | | | | | |
| First stage of processing | 1,277 | 7.8 | 0-75 | 1.7 | 58.7 | 4.4 |
| Semi-processed products | 2,870 | 3.6 | 0-55 | 1.5 | 54.4 | 0.1 |
| Fully processed products | 5,707 | 11.1 | 0-70 | 1.1 | 28.8 | 4.5 |

a Coefficient of variation.
b International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: Calculations for averages were based on the national tariff line (10-digit) level, excluding in-quota rates. Tariff schedule was based on HS17. AVEs were estimated based on 2017 import data at the 10-digit tariff from the State Statistical Office. In case of unavailability, the *ad valorem* part was used for compound and mixed rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.28. The evidence on whether the applied MFN tariff structure displays a pattern of tariff escalation is somewhat mixed, depending upon how broadly the product categories are defined. The average tariff in 2019 is estimated at 7.8% on raw materials, 3.6% on semi-processed products, and 11.1% on fully processed products (Table 3.2 and Table 3.3). However, at a more disaggregated level, positive escalation (indicating higher rates of effective protection for more processed products) seems to exist on some products: tariffs for fresh fruits and vegetables, semi-processed fruits and vegetables, and preparations (i.e. canning) of fruits and vegetables are 8.6%, 22.9%, and 28.6%, respectively; cotton raw materials, cotton thread/yarn and woven fabrics, and clothing of cotton are zero, 7.6%, and 17.5%, respectively; and leather (raw skins), semi-processed leather (e.g. tanned or crust), and leather products are zero, 7.4%, and 16.2%, respectively. The high tariff protection for certain finished products may act as a disincentive to increase international competitiveness of the finished products.

### 3.1.3.1 Tariff rate quotas

3.29. North Macedonia maintains tariff rate quotas for imports of agricultural products under the MFN tariff quota and under certain provisions of its FTAs with the European Union, Turkey, Ukraine, and EFTA (Switzerland and Norway). Allocation of tariff rate quotas is on a first come, first served basis, at zero or lower import duties within the agreed annual quantities. All applications are submitted via the EXIM system to the Customs Administration. The unused quantities of quotas at the end of each quarter are transferred to the next quarter. The Ministry of Economy publishes, in the Official Gazette, the list of goods which are subject to tariff rate quotas, once a year for the MFN tariff quota, and twice a year for tariff quotas under preferential agreements.[25]

3.30. While North Macedonia applies one tariff rate quota on wheat (HS 1001990000) on an MFN basis for all WTO Members[26], the majority of the tariff rate quotas are country-specific, pursuant to FTAs. For example, about 37 were open to the European Union in 2017. Tariff rate quotas apply mainly to meat products, dairy products (e.g. cheese, milk, and yoghurt), preparations of fruits and vegetables, and confectionary products (Table 3.4).

**Table 3.4 Products subject to tariff rate quotas pursuant to the FTAs in 2017[27]**

| FTAs | Number of TQs | Main products |
|---|---|---|
| European Union | 37 | Milk and cream, yoghurt, cheese, vegetables (e.g. cucumbers, onions, potatoes), sausages, truffles, meat of swine, carp (live), margarine, sugar confectionary, pasta, bakery products (e.g. bread, pastry), chocolate and other food preparations, yeasts, sauces, waters, cigarettes, sparking wine, wine |
| Turkey | 8 | Meat, hazelnuts, citrus fruits, dried grapes, olive oil, olives |
| Ukraine | 10 | Meat of bovine animals, meat of swine, milk and cream, barley, sugar confectionery, chocolate and other food preparations, sweet biscuits, waffles and wafers, jams, waters |
| Switzerland (EFTA) | 2 | Milk and cream, cheese |
| Norway (EFTA) | 1 | Cheese and curd |

Source: Information compiled by WTO Secretariat, based on information provided by the authorities.

### 3.1.3.2 WTO bindings

3.31. North Macedonia's latest certified schedule of tariff concessions was in HS12.[28] The country is not covered by the HS17 waiver.[29]

3.32. North Macedonia has bound 100% of its tariff lines at rates ranging from zero to 75%.[30] As in the case of applied tariffs, *ad valorem* rates apply to most bound tariff lines, except for agricultural products such as meats, dairy, cereal and preparations, fruits and vegetables, and fish products with compound and mixed bound tariffs. The simple average bound rate on agricultural products (WTO definition) is 18.2%, whereas the rate on non-agricultural products is 6.3% (Table 3.2). Moreover, all other duties and charges (ODCs) are bound at zero.

3.33. A full comparison between MFN applied and bound rates was not possible; some 12% of tariff lines could not be compared, mainly due to changes in the HS nomenclature and in the structure of the tariff schedule. For those lines for which a comparison was possible, applied MFN rates exceed the corresponding bound rates for 13 tariff lines (Table 3.5).

**Table 3.5 Tariff lines where applied MFN rates may exceed bound rates, 2019**

| Tariff code | Product description | Tariff 2019 | Bound tariff |
|---|---|---|---|
| 1001919000 | Seeds; other | 15+0.1 EUR/kg max.75 (AVE= 50.52%) | 0 |
| 2852100000 | Inorganic or organic compounds of mercury, chemically defined | 5 | 2.7 |
| 3824740000 | Containing hydrochlorofluorocarbons (HCFCs), whether or not containing perfluorocarbons (PFCs) or hydrofluorocarbons (HFCs), but not containing chlorofluorocarbons (CFCs) | 6 | 0 |

[25] Customs Administration online information. Viewed at: http://www.customs.gov.mk/index.php/en/biznis-zaednica-mk-2/presmetka-na-davacki-en/tarifni-kvoti-mk.
[26] WTO document G/AG/N/MKD/22, 18 January 2018.
[27] The same tariff rate quotas applied in 2018 and 2019.
[28] WTO document WT/Let/1401, 27 September 2018.
[29] WTO document WT/L/1051, 13 December 2018.
[30] The highest rate of 75% (the *ad valorem* part of 15%+0.1 EUR/kg maximum 75% (HS 1001190000)) was applied because no AVE was estimated, as there were no imports in 2017.

| Tariff code | Product description | Tariff 2019 | Bound tariff |
|---|---|---|---|
| 3824781000 | Containing PFCs) or HFCs, but not containing CFCs or HCFCs | 6 | 0 |
| 3824782000 | | 6 | 0 |
| 3824783000 | | 6 | 0 |
| 3824784000 | | 6 | 0 |
| 3824788000 | | 6 | 0 |
| 3824789000 | | 6 | 0 |
| 8486900010 | - Parts and accessories | 3 | 0 |
| 8512301000 | Sound signaling equipment: burglar alarms of a kind used for motor vehicles | 15 | 8 |
| 8517700015 | Telephone sets, including telephones for cellular networks or for other wireless networks; parts | 5 | 0 |
| 8517700019 | | 5 | 0 |

Source: WTO Secretariat estimates, based on data provided by the authorities, the WTO IDB, and the CTS database.

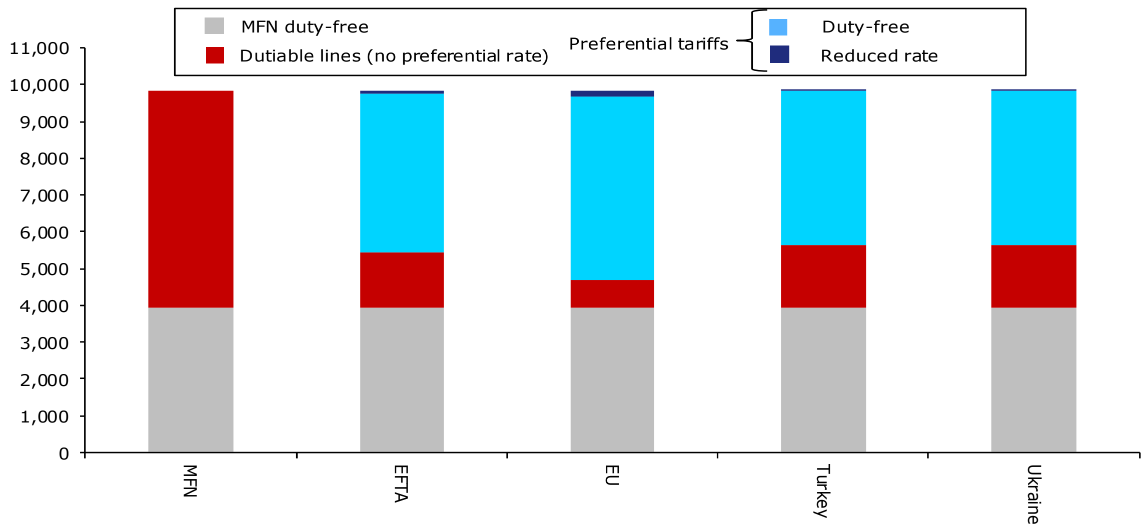
#### 3.1.3.3 Preferential tariffs

3.34. North Macedonia applies preferential tariffs to imports from certain countries, pursuant to its reciprocal agreements with the European Union, the CEFTA, the EFTA, Turkey, and Ukraine (Section 2.3.2). An invoice declaration (origin declaration) or EUR 1 (EUR-MED) movement certification is required in order to benefit from preferential duty rates.

3.35. In addition to duty-free coverage on an MFN basis (about 40% of total tariff lines), the share of duty-free lines under the FTAs vary from 82.9% for Ukraine to 90.5% for the European Union (Chart 3.3 and Table 3.6). North Macedonia grants duty-free access to all imports from its partners under the CEFTA. The main exceptions from preferences (except for CEFTA) are in the categories of meat products (HS 02), dairy produce (HS 04), and preparations of vegetable and fruit products (HS 20). Preferences given to FTA partners are limited, especially for agricultural products: the simple average tariffs under FTAs are just below or almost identical to the MFN tariff (Table 3.6), mainly due to exceptions from preferences for certain agricultural product groups, as noted earlier. On the other hand, tariffs for non-agricultural products are nearly all zero.

#### Chart 3.3 Breakdown of applied MFN and preferential tariffs

(Number of tariff lines)




Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table 3.6 Tariffs under preferential agreements, 2019**

| | Simple average tariffs (%) | | | Duty-free rates (including MFN duty-free) as a percentage of total tariff lines in each category (%) | | | Tariff lines not covered by preferential tariffs (% of total tariff lines) |
|---|---|---|---|---|---|---|---|
| | All | Agr. | Non-Agr. | All | Agr. | Non-Agr. | |
| Applied MFN | 8.5 | 17.6 | 5.8 | 40.1 | 24.8 | 44.5 | 59.9 |
| EFTA | 3.7 | 16.7 | 0.0 | 83.8 | 27.9 | 100.0 | 15.3 |
| European Union | 2.9 | 12.8 | 0.1 | 90.5 | 59.3 | 99.5 | 7.7 |
| Turkey | 4.0 | 17.6 | 0.1 | 83.0 | 25.8 | 99.5 | 17.0 |
| Ukraine | 4.0 | 17.6 | 0.1 | 82.9 | 25.6 | 99.4 | 17.1 |

Note: Duty-free treatment is granted to all imports from CEFTA countries.
0.0 refers to >0 and <0.05; 100.0 refers to >99.55 and <100.

Source: WTO Secretariat calculations, based on data provided by the authorities.

### 3.1.4 Other charges affecting imports

3.36. The import of goods into North Macedonia is subject to the payment of VAT (Section 3.3.1). A limited number of goods imported into the country are also subject to excise duties. Petroleum products, alcohol and alcoholic beverages, tobacco products, and passenger motor vehicles are subject to excise duty at a flat or percentage rate. The excise period is one calendar month, and the excise duty is payable within 15 days of the end of the calendar month. The excise duty for alcoholic beverages and tobacco goods is levied by selling excise stamps.

3.37. The amount of excise duty for petroleum products depends on the type of product and is payable per litre or kilo. Alcohol and alcoholic beverages are taxable per litre or percentage of alcohol. Some categories of alcoholic beverages (e.g. wine) are not subject to excise duty. The maximum excise duty payable is MKD 340 per litre on pure alcohol. The excise duty for tobacco products is calculated both per unit/kilogram and as a percentage of the retail price. Since July 2014, the rate of the specific and minimum excise duty on cigars/smoking tobacco has increased gradually every year. The excise duty for passenger motor vehicles is calculated as a percentage of the market value or the custom value of the vehicle. It ranges from 0% for vehicles valued up to EUR 3,000 to 18% for vehicles valued above EUR 30,000. [31]

3.38. At the time of writing, a new law on the timing of payment of excise duties, designed to achieve full harmonization with EU rules on excise duties, and a new law on excise duties on motor vehicles, were under consideration by the legislature and were expected to enter into force in July 2019.

3.39. Several other fees and charges are levied by customs for import-related services rendered. These include customs control of goods at particular locations or during non-working hours, certain laboratory testing and sampling, notification of outstanding customs debt and fees related to the electronic access to information of, and submission of documents to, the Customs Administration.

### 3.1.5 Import prohibitions, restrictions, and licensing

3.40. The importation of certain goods (e.g. certain animals and birds, plants, fertilizers, narcotics, arms, and ozone-depleting substances) into North Macedonia is prohibited for reasons related mainly to the protection of national security, public morals, the environment, health, endangered species, and national treasures of artistic, historical or archaeological value.

3.41. Certain categories of products are subject to import licensing. The Decision on Classification of Goods into Forms of Export and Import[32] contains nine annexes, listing products the import (and/or export) of which requires a (non-automatic) licence from different government departments.

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[31] Viewed at: http://taxsummaries.pwc.com/ID/Macedonia-Corporate-Other-taxes.

[32] Official Gazette No. 42/2013. The Decision is based on Article 34, paragraph 2 of the Law on Trade. The list of products subject to import licensing pursuant to this Decision is available on the webpage of the Ministry of Economy. Viewed at: http://www.economy.gov.mk/. See also WTO document WT/TPR/S/290, 23 October 2013, Table 3.7.

The product coverage of the import licensing regime provided for in this Decision did not change in recent years.[33] The import licensing provided for in this Decision applies to goods from all countries, is not intended to restrict the quantity or value of imports and is applied pursuant to the general exceptions in Articles XX and XXI of the GATT 1994.[34]

3.42. Specifically, import licensing administered by the Ministry of Health, the Ministry of Agriculture, the Ministry of Environment and Physical Planning, and the Radiation Safety Directorate is aimed at protecting human, animal or plant life or health and/or conserving exhaustible natural resources. The Ministry of Economy also applies import licensing to regulate the import of gold or silver. The Ministry of Culture applies it to protect public morals or to protect national treasures of artistic, historic or archaeological value. The Ministry of the Interior and the Ministry of Defence apply import licensing to protect essential security interests, or pursuant to obligations under the UN Charter.[35] The product coverage of the Decision is not subject to administrative discretion, and the system cannot be abolished without legislative approval.[36] The authorities confirmed that the licensing procedures apply as long as the need exists for North Macedonia to implement measures.

3.43. Import licences must be issued within a maximum of 15 days from the submission of the application. There are no limitations as to the period of the year during which applications for licences may be made. When applying for an import licence, an importer must approach only one administrative organ in connection with the application. If the application meets the criteria, a licence is granted. Failure to meet the ordinary criteria is the only circumstance in which a licence application may be refused. In the event of refusal to issue a licence, the applicant has the right to appeal, in accordance with the Law on General Administrative Procedure. A licence is valid for three or six months from the date of issue. There is no penalty for the non-utilization of a licence or a portion thereof. Licences are not transferable between importers. No other conditions are attached to the issuance of a licence. There is a licensing administrative charge of MKD 600 for administrative expenses pursuant to the Law on Administrative Fees; no deposit or advance payment is required for licensing.[37] Applications for import licences can be submitted electronically through the EXIM Single Window System.

3.44. The authorities maintain that the current import licensing regime is in full compliance with WTO rules.

### 3.1.6 Anti-dumping, countervailing, and safeguard measures

3.45. The legal framework governing the application of trade contingency measures by North Macedonia has remained unchanged since the previous Review. Chapter V of the Law on Trade[38] regulates the application of anti-dumping, countervailing and safeguard measures. Additionally, the procedure and method of determining such measures are stipulated in Decisions published in Official Gazette No. 109/07 and Official Gazette No. 28/05.

3.46. The Commission on Protective Measures, established in accordance with Article 35 of the Law on Trade, is the competent authority to take decisions on the initiation of an investigation into dumping, subsidized imports, or imports in such increased quantities that could cause, or threaten to cause, injury to the domestic market. The Commission is entitled to determine the amount of injury, while the Government may impose the respective duty or measure to mitigate the injury.

3.47. Since the previous Review, North Macedonia has neither imposed any anti-dumping, countervailing duty or safeguard measures nor initiated any anti-dumping, countervailing duty or safeguard investigations.

[33] WTO documents G/LIC/N/3/MKD/6, 14 December 2017; G/LIC/N/2/MKD/2, 14 December 2017; and G/LIC/N/3/MKD/7, 6 March 2018.

[34] WTO document G/LIC/N/3/MKD/6, 14 December 2017.

[35] WTO document G/LIC/N/2/MKD/2, 14 December 2017.

[36] WTO document G/LIC/N/3/MKD/6, 14 December 2017.

[37] WTO document G/LIC/N/3/MKD/6, 14 December 2017.

[38] Official Gazette No. 16/04; and amendments in Official Gazette Nos. 128/06, 63/07, 88/08, 159/08, 20/09, 99/09, 105/09, 115/10, 158/10, 36/11, 53/11, 148/13, 164/13, 97/15, 129/15, and 53/16.

## 3.2 Measures Directly Affecting Exports

### 3.2.1 Customs procedures and requirements

3.48. Exporters are subject to the same registration regime as importers. At the end of 2018, there were 3,803 registered commercial exporters.[39]

3.49. In addition, the export of a given merchandise requires the submission to the customs authorities, by the exporter or his/her representative, of the following documents: a customs declaration, an invoice of sales, a transport document, a bill of lading or a cargo manifest, a certificate of origin, and veterinary or phytosanitary certificates in the case of export of livestock, goods of animal origin or products thereof, as well as seeds, plants and related products.

### 3.2.2 Taxes, charges, and levies

3.50. North Macedonia does not apply export duties.

### 3.2.3 Export prohibitions, restrictions, and licensing

3.51. The export of certain products from North Macedonia is prohibited or is subject to licensing for reasons of the protection of human, animal or plant life or health, the protection of public morals, or the protection of the environment. Products subject to prohibition or export licensing are identified in the annexes to the Decision on Classification of Goods into Forms of Export and Import.[40] The authorities indicated that there were no major changes to the list of products subject to export prohibition or licensing since the previous Review.[41]

3.52. In March 2018, North Macedonia amended its export control law, by adopting a new list of dual-use goods and technologies (OG 131/2018) that transposes Annex 1 of the relevant EU regulation.[42]

### 3.2.4 Export support and promotion

3.53. The main instrument used by the Government to promote and support exports is the Technological Industrial Developments Zones (TIDZs). These attract essentially multinational companies, processing parts within global value chains (e.g. automotive and machinery); they import most of the inputs to be processed and then re-export almost all of their production. Other export promotion instruments, notably those destined for local companies and SMEs, are, by comparison, of a lesser magnitude. However, in the framework of the 2019-27 industrial strategy and of the May 2018 Law on Financial Support for Investment, the Government is planning to overhaul and strengthen the export promotion institutional framework, and to create new subsidy schemes so as to better include local companies and SMEs, as detailed below.

3.54. The legal regime regulating the TIDZs was established in 2008 and did not undergo any significant changes during the period under review. TIDZs offer the following advantages to foreign investors:

- a ten-year corporate tax holiday;

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[39] The FTAs signed by North Macedonia contain a procedure whereby exporters can obtain the status of "approved exporter", which makes it easier to comply with the applicable rules of origin.

[40] Official Gazette No. 42/2013. The list of products the export of which is prohibited or requires a licence by virtue of this Decision is available on the webpage of the Ministry of Economy. Viewed at: http://www.economy.gov.mk/.

[41] WTO document WT/TPR/S/290, 23 October 2013, Table 3.8.

[42] Commission Delegated Regulation (EU) 2017/2268 of 26 September 2017 amending Council Regulation (EC) No. 428/2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. Viewed at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2268&from=EN.

- an exemption from customs duties[43] and VAT on imported raw materials, equipment and construction materials;
- 0% personal income tax for ten years;
- 0% property tax;
- 0% excise tax;
- free connection to utilities;
- a subsidy of up to EUR 500,000 for construction costs;
- a green-light customs channel at the border for expeditious exports to EU countries;
- land leases for up to 99 years; and
- grants for training and job creation.

3.55. The Commission for the Protection of Competition oversees the granting of these advantages. Its approval, which certifies conformity with state aid rules (based on the EU *acquis*), is required for each individual deal with a company.

3.56. These Zones are export-oriented.[44] Companies working therein are not prohibited from selling their production locally but, in such cases, normal duties, taxes and charges apply fully.

3.57. There are four fully-operational TIDZs. Three (Skopje 1, Skokje2 and Stip) are managed by a public body, the Directorate for Free Trade Zones, while the Tetovo Zone is managed under a public-private partnership scheme with a Norwegian company. Eleven more zones are at various stages of development. Table 3.7 below describes the size, number of investors, sectors and cumulative investment in the already-operational zones.

**Table 3.7 Active TIDZs**

| Zone name | Area (ha) | No. of investors | Cumulative investment (in EUR million) | Main operating industry |
|---|---|---|---|---|
| Skopje 1 | 140 | 12 | 208 | Automotive |
| Skopje 2 | 97 | 1 | 25 | Automotive |
| Stip | 206 | 3 | 12 | .. |
| Tetovo | 95 | 1 | .. | .. |
| Prilep | 67 | 2 | 20 | Automotive/plastics |
| Struga | 30 | 2 | 15 | .. |
| Strumica | 25 | 1 | .. | .. |
| Kichevo | 30 | 1 | 15 | Electronic/cables |
| Gevgelija | 50 | .. | 15 | Automotive |

.. Not available.

Source: Data compiled by the OECD and gathered from national zone administrators.

3.58. The TIDZs presently host 32 foreign companies, employ 12,500 people, and account for 36% of the value of exports (notably chemicals, machinery and transport equipment). According to a 2017 OECD study[45], IDZs accounted for about 45% of total manufacturing FDI in North Macedonia, in the previous five years. The new industrial strategy, adopted in 2018 (see Section 4.3), aims to

[43] However, the impact of this exemption should not be overrated. In practice, most of the imports concerned come from the European Union or countries with whom North Macedonia has an FTA, and are therefore not subject, in most instances, to customs duties under the normal regime.

[44] More generally, an OECD study finds that most special economic zones in the Western Balkans should be classified as export processing zones. OECD, *Tracking Special Economic Zones in the Western Balkans: Objectives, features and Key Challenges*, 2017, p. 32. Viewed at: http://www.oecd.org/south-east-europe/SEZ_WB_2017.pdf.

[45] OECD, *Tracking Special Economic Zones in the Western Balkans: Objectives, Features and Key Challenges*, 2017. Viewed at: http://www.oecd.org/south-east-europe/SEZ_WB_2017.pdf.

increase the spill-overs of these Zones to domestic companies, and in particular MSMEs, as these spill-overs have remained, up to now, relatively marginal.

3.59. During the period under review, the network of 30 "economic promoters", scattered throughout the embassies, was centralized in InvestMacedonia, and the focus was placed on the organization of business-to-business (B2B) meetings, notably in the textile, ICT, and machinery sectors, and on support for participation in industrial fairs.

3.60. Stimulating manufacturing exports is one of the five objectives set by the new industrial strategy. To achieve this objective, the action plan foresees a strengthening of the institutional framework of export promotion. The Ministry of Economy is to prepare an export strategy in close cooperation with InvestMacedonia (for the promotion aspects) and the Ministry of Foreign Affairs (for the commercial diplomacy aspects), specifying the sub-sectors, products and countries to target.

3.61. InvestMacedonia is expected to be designated as the single point of contact for exports, and will review and reform its Export Promotion Department in order to allocate more resources and capacities to support export promotion activities. It is expected that EUR 100,000 will be allocated to these reforms for 2019-20.

3.62. In addition, capacity-building efforts are also expected to be undertaken in 2019-20. The SME portal is to be improved, to include more information on export opportunities, and training programmes on standards are to be made available to export-oriented companies and SMEs. EUR 143,000, originating from EU support funds, is to be spent between 2018 and 2020 to support the export accelerator for SMRE. This is a programme managed by the Organisation of Employers and the Institute for Dynamic Development Sfera-Nova. Its aim is to stimulate exports from the food processing industry, by providing assistance in relation to export procedures, documentation and other related export activities (analyses, new markets, contacts with distribution networks, etc.).

3.63. The new Law on Financial Support for Investments, promulgated in May 2018, institutes a system of financial support for projects, aimed at winning new markets and increasing sales abroad (for a description of the conditions set and maximum amount granted, see Table A3.1. Activities supported include participation in fairs abroad; business missions; B2B in foreign markets; contribution to costs for certifying products according to foreign market requirements; and contribution to costs for building capacity regarding marketing in foreign markets (preparation of promotional material, catalogues, brochures, and website design). The granting procedure is managed by the Agency for Foreign Investments and Export Promotion.

3.64. A Manufacturing Export Readiness Support Programme is expected to be created in 2020. It is expected to be funded by a EUR 5 million grant; the donor remains to be found. It is to select 300 manufacturing SMEs with export potential and provide them with support in terms of investment readiness (including web tools), technical assistance and capacity building; and financing for export readiness (e.g. standards, health and safety, marketing, business planning, technology, branding, labelling, packaging, product testing, certification, contracting, customs, logistics, marketing, information and analysis, etc.).

### 3.2.5 Export finance, insurance, and guarantees

3.65. A 100% state-owned development bank, the Macedonian Bank for Development Promotion (MPDB), provides short-term export credit insurance to cover commercial risks (bankruptcy, or protracted default) and political risks (war, licence cancelling, or breach of contract). Table 3.8 indicates the amount of exports insured and the premiums paid by exporters.

**Table 3.8 Amount of exports insured, and premiums perceived by the export credit system, 2012-18**

(EUR million)

| Year | Insured exports | Premiums |
|---|---|---|
| 2012 | 20.63 | 0.18 |
| 2013 | 28.49 | 0.21 |
| 2014 | 38.43 | 0.28 |
| 2015 | 41.96 | 0.28 |
| 2016 | 49.58 | 0.27 |

| Year | Insured exports | Premiums |
|---|---|---|
| 2017 | 65.05 | 0.36 |
| 2018 | 58.14 | 0.26 |

Source: Information provided by the authorities.

3.66. In addition, the MBDP has four credit line arrangements with the European Investment Bank, with subsidized interest rates; in 2018, the amount of subsidization for all four arrangements was EUR 1.49 million. The MBDP also finances export projects at market conditions.

## 3.3 Measures Affecting Production and Trade

### 3.3.1 Taxation

3.67. With the aim of attracting investment and accelerating business development, North Macedonia maintains a competitive taxation system, with some of the lowest rates worldwide.[46] Taxation is regulated mainly by the Law on Profit Tax**,** the Law on Personal Income Tax Law, the Law on Value Added Tax, the Law on Property Taxes, the Law on Technological Industrial Development Zones, and several double taxation treaties.

3.68. Companies are subject to corporate income tax on realized profits, at a rate of 10%. Resident companies (established under local law) are taxed on their worldwide income but can claim credit for taxes paid abroad. Non-resident companies are taxed on the profit realized through their permanent establishment in North Macedonia. Capital gains and losses are treated as ordinary income, and are included in the taxable base of the company. Companies can benefit from a simplified tax regime if their overall annual income from all sources is between MKD 3 million and MKD 6 million. These companies pay corporate income tax of 1% on their overall income from all sources as stated in their income statement and financial statements for the respective calendar year. Depreciation is recognized for tax purposes, and includes both tangible and intangible assets. Buildings are depreciated at a rate of 2.5% to 10%, furniture at 20%, vehicles at 25%, computers at 25%, and machinery and production equipment at 5% to 10%.

3.69. A withholding tax of 10% applies to certain types of income paid by a local company to a foreign legal entity. Lower rates may apply if specific income is covered under a double taxation treaty. The types of income paid to foreign residents that are subject to withholding tax are: dividends; interests; royalties; entertainment or sporting activities; management, consulting of financial services; R&D services; telecommunication services; insurance and re-insurance premiums; and rental of real estate located in North Macedonia.

3.70. A value added tax (VAT) is charged at a standard rate of 18% on the supply and import of goods and services. A lower rate of 5% applies to supplies of certain basic goods and services, such as food for human consumption; food for livestock; drinking water from public supply systems; computers and software; agricultural material and equipment; wood pellets, pellet stoves, and pellet boilers; baby products; school supplies (e.g. school backpacks, notebooks, and pencils); pharmaceutics and medical equipment; and publications, such as books, pamphlets, newspapers, and other printed material, except for publications mainly used for advertising purposes. (Table 3.9). All taxpayers whose total annual turnover exceeds MKD 1 million, or whose total supplies are projected to exceed this amount, are liable to register for VAT purposes. The Law on VAT was last amended in October 2018, and is administered by the Ministry of Finance.

3.71. Until recently, personal income tax was set at a flat rate of 10%. However, since 1 January 2019, the portion of income that exceeds MKD 90,000 per month is taxed at a rate of 18%, and income up to MKD 90,000 continues to be taxed at a rate of 10%.[47] Income from capital, property, industrial property rights, insurance, capital gains, games of chance, and other income is taxed at 15% (raised from 10%). Residents are taxed on their worldwide income, while non-residents are subject to tax only on income generated in North Macedonia. Employers are required to make social security contributions on behalf of their employees, for pensions, health insurance and unemployment. Ownership of real property is subject to tax, at rates ranging from 0.10% to

[46] According to the World Economic Forum's Global Competitiveness Report 2015-2016, North Macedonia has the lowest total tax rate in the world, at 7.4%.
[47] Amendment to the Law on Personal Income Tax, Official Gazette No. 241/18 of December 2018.

0.20%. The transfer of real property is taxed at rates ranging from 2% to 4%. These taxes are levied by the municipalities.

### Table 3.9 Taxation, as at 1 January 2019

| | | |
|---|---|---|
| **Corporate taxation** | | |
| Profit tax | 10% | A profit tax of 10% is applied on realized profits. Corporate income tax is also levied on non-deductible expenses |
| Withholding tax | 10% | Domestic withholding tax of 10% on certain payments to foreign residents. Double taxation treaty relief is possible |
| Special features | | Transfer pricing rules impose severe penalties on both corporations and responsible persons for the underestimation or false reporting of the taxable base |
| **Value added tax** | | |
| General rate | 18% | On most goods and services |
| Reduced rate | 5% | Only on a few goods, such as food, drinking water, publications, seeds, agricultural machinery, fertilizers, wood pellets, computers and software, baby products, school supplies, pharmaceuticals and medical equipment, the transport of passengers, accommodation services, half-board and full-board services provided by hotelkeepers, etc. |
| Refund period | 30 days | |
| **Individual taxation** | | |
| Personal income tax | 10%<br>18% | On income up to MKD 90,000 a month<br>On the portion of the income tax base that exceeds MKD 90,000 a month |
| Mandatory social security contributions | 27.5% | 18.4% - pension and disability fund;<br>7.4% - health insurance;<br>1.2% - unemployment contribution; and<br>0.5% - additional health insurance |
| **Other taxes** | | |
| Property tax | 0.10%-0.20% | The tax base is the property's market value |
| Transfer tax | 2%-4% | The tax base is the property's market value |

Source: WTO Secretariat, based on information provided in KPMG, *Investment in Macedonia 2018*.

### 3.3.2 Incentives

3.72. The Government offers numerous support measures to enterprises, including MSMEs, as part of its overall economic strategy to promote industrial development, competitiveness and the creation of new and better-paid jobs. The measures are set out in several documents, mainly the Economic Growth Plan, the Industrial Strategy, and the Programme for Competitiveness, Innovation and Entrepreneurship. The objective underpinning these measures is to encourage investment, particularly in manufacturing, and to promote the linkages between local companies and foreign direct investment with the aim of strengthening the integration of the national economy into international value chains. Most of the measures take the form of financial support. Prior to their implementation, the programmes setting out support measures must obtain approval from the Commission for the Protection of Competition, in accordance with the Law on State Aid Control, which is aligned with relevant EU legislation in this sphere (Section 3.3.5.2). The incentives provided to companies operating in the Technological Industrial Development Zones (TIDZs) are dealt with in Section 3.2.4.

3.73. The Economic Growth Plan (EGP), published in February 2018, seeks to stimulate growth in the industrial sector, focusing on manufacturing. It establishes various forms of financial incentives to support investment by private companies, based on measurable criteria. The EGP constitutes an overarching policy framework for other strategies and programmes. The recently-adopted Industrial Strategy derives most of its objectives directly from the EGP (see Section 4.3). As a major government initiative, the EGP is expected to fund projects for some EUR 150 million over the next five years.

3.74. The support measures envisaged by the EGP are targeted at enterprises that have demonstrated success in recent years. A company must meet the following criteria to be eligible for financial support: (i) its income in the year preceding the application must have been higher than the average income of the previous three years; and (ii) it must have maintained or increased the number of employees compared to the average number of employees in the previous three years.[48] All firms in North Macedonia, domestic and foreign, are eligible to apply for support under the EGP, except: public enterprises; companies operating in licensed activities and under concessions; enterprises benefiting from agricultural subsidies; lawyers, auditors and accounting firms; and commercial banks, insurance companies and funds.

3.75. The EGP envisages three groups of measures (pillars):

- Pillar 1: general measures to support investment (all enterprises);
- Pillar 2: measures for improving competitiveness and internationalization (all enterprises); and
- Pillar 3: measures to foster the development of micro, small and medium enterprises (MSMEs).

3.76. The Law on Financial Support for Investments, promulgated in May 2018, regulates support measures under Pillars 1 and 2. It establishes the conditions, maximum amounts, time-limits, and procedures for granting different types of financial support to companies that invest in North Macedonia. Support usually takes the form of cash grants and, in some cases, exemptions from income tax (Table A3.1). Pillar 3 measures are covered in the Medium-term Programme for Financial Support of Micro, Small and Medium Enterprises (2018-2020), and are implemented through the Fund for Innovation and Technology Development.

3.77. Pillar 1 of the EGP includes financial support measures for the following: creation of new and higher-paid jobs; establishment of technological and research departments; large investment projects of significant economic interest to the country; investments in machinery and equipment, land and premises; acquisition of companies facing difficulties; and establishing and enhancing cooperation with suppliers registered in North Macedonia. The latter measure targets companies located in TIDZs and new greenfield investors that purchase inputs/products from domestic suppliers to be integrated in a final product intended for export. The benefit consists of getting back 1% of the total amount spent if at least 15% of the company's production inputs are procured from domestic suppliers. The maximum amount allowed is EUR 300,000 per company per year, and the benefit is available for no more than five years.

3.78. Pillar 2 consists of financial support for companies that increase their market competitiveness[49], and for companies that gain new markets or increase their sales in new markets. In the latter case, the benefit is the reimbursement of 20% of the costs incurred, up to a maximum of EUR 30,000 per company.

3.79. Pillar 3 measures include co-financed grants[50] for: (i) fast-growing SMEs ("Gazelles") that commit to increasing their annual income and number of employees, both by 20%, within a period of 24 months (30% of direct costs, up to EUR 160,000); (ii) micro enterprises that invest in technological development (30% of direct costs, up to EUR 80,000); (iii) improvement of innovation by SMEs (up to 70% of direct costs, up to EUR 320,000); (iv) vocational training and practice for newly-employed young people (30% of the training costs, or up to EUR 15,000); and (v) preparing the legal basis for the development of venture capital (25% of the value of the applicant's own funds, or up to EUR 480,000).

3.80. The measures under Pillar 3 are financed through the Fund for Innovation and Technology Development (FITD), which was established in December 2013 to facilitate access to risk capital to co-finance innovations by MSMEs. The FITD is financed through a World Bank loan and allocations from the national budget; the latter have been increased substantially in the last two years, to fund the measures envisaged in the EGP. For 2019, the FITD's total budget amounts to EUR 13.2 million, compared to EUR 0.3 million in 2014 (Table 3.10). The FITD offers financing support to companies through public calls. The first public call under Pillar 3 was launched in April 2018. As a result, 133 companies received financing for a total contracted amount of EUR 15.9 million, with 88% of the

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[48] The last criterion does not apply to companies in the textile and leather industry.

[49] To be eligible for this benefit, a company must have increased its sales by at least 5% over the average sales level of the previous three years.

[50] Under all these measures, the beneficiary company must finance part of the project.

them benefitting from co-financed grants for the improvement of innovation, and the rest from grants for fast growing companies SMEs. The latest public call was launched in October-November 2018, and its results were expected to be announced in the first quarter of 2019.

**Table 3.10 Fund for Innovation and Technology Development: annual budget, 2014-19**

(Euro)

| Year | World Bank loan | National budget | Total budget |
|---|---|---|---|
| 2014 | 162,000 | 149,236 | 311,236 |
| 2015 | 168,699 | 219,870 | 388,569 |
| 2016 | 500,000 | 231,512 | 731,512 |
| 2017 | 1,000,000 | 228,764 | 1,228,764 |
| 2018 | 836,585 | 3,697,480 | 4,534,065 |
| 2019 | 3,777,496 | 9,415,837 | 13,193,333 |

Source: Information provided by the authorities.

3.81. The FITD administers four additional co-financing instruments with funds from the World Bank: (i) co-financed grants for newly-established enterprises (start-ups and spin-offs) to support projects that are in the proof-of-concept phase and up to the close-to-market phase; financing is provided for up to 85% of the total budget of the project, with a maximum limit of EUR 30,000; (ii) co-financed grants and conditional loans for the commercialization of innovations; this instrument supports projects with a clear commercialization objective, which are in the prototype phase (or appropriate phase depending on the type of innovation) and up to the close-to-market phase, by financing up to 70% of the total budget, with a cap of EUR 100,000; (iii) co-financed grants for technology extension, i.e. for adoption and adaptation by SMEs of innovative, advanced technologies, know-how and technology processes. It provides financing for up to 50% of the total project budget, with a limit of EUR 500,000; and (iv) co-financed grants for the Establishment, Operations and Investments of Business and Technology Accelerators; whereby support is provided for the (optional) establishment and operation of an accelerator, the implementation of a pre-investment plan, and the investments. Financing is provided for up to 75% of the total budget to a maximum of EUR 500,000. A total of 58 companies have benefited from these instruments, of which 65% have been awarded grants for newly-established enterprises (start-ups and spin-offs).

3.82. North Macedonia notified to the WTO Committee on Subsidies and Countervailing Measures the support measures implemented under the State Budget for 2018 and 2019.[51] The 2019 notification covers measures implemented under the Programme for Competitiveness, Innovation and Entrepreneurship, and the Programme for Development in Tourism, administered by the Ministry of Economy, under the following categories: (i) support and development of MSMEs and crafts; (ii) implementation of industrial policy; (iii) support and development of cluster associations; (iv) social responsibility; and (v) tourism (Table 3.11). The total budget for these measures is MKD 79.1 million in 2019, compared to MKD 47.1 million in 2018 (it should be noted, however, that no tourism incentives were included in the 2018 budget).

**Table 3.11 Summary: support measures under the Programme for Competitiveness, Innovation and Entrepreneurship, 2019**

| Category of support | Policy objective/purpose | Form of support | Annual budget MKD |
|---|---|---|---|
| **Support and development of MSMEs** | Support for: (i) entrepreneurship and crafts; (ii) MSMEs; (iii) women entrepreneurship; (iv) artisans; (v) enterprises' competitiveness and participation in the market (quality system and HALAL certification); and (vi) professional training of MSME employees. | Grant (covers 50%, 60% or 75% of expenses, depending on type of support, with caps applying per company) | **41,280,000**<br><br>Different caps per type of support |

[51] WTO documents G/SCN/N/315/MKD, 20 March 2018; and G/SCM/N/343/MKD, 19 March 2019. No notifications were submitted for the period 2011 to 2017.

| Category of support | Policy objective/purpose | Form of support | Annual budget MKD |
|---|---|---|---|
| **Implementation of industrial policy** | 1. Increase businesses' competitiveness in the processing industry: (i) technical documentation for new products; (ii) design solutions and/or printing; (iii) market research; (iv) energy-efficiency projects and/or introduction of ISO 50001; (v) product-conformity certificates; (vi) cooperation between companies and universities; (vii) expert analysis and preparation of technical project documentation or feasibility studies; and (viii) project documentation for installation of photovoltaic panels for electricity generation from renewable energies.<br>2. Organize specialized training in the processing industry: (i) in the automobile, textiles, food-processing and metal-processing industries; (ii) vocational training in the leather and shoe industry; (iii) on the "greening of manufacturing industries"; and (iv) on the concept of circular economy in the manufacturing industry. | Grant (covers 75% of expenses but no more than MKD 300,000 per company)<br>75% of expenses | **3,700,000**<br>Total 1: 2,500,000<br>Total 2: 1,200,000 |
| **Support and development of cluster associations** | Support of cluster associations for innovative and internationally-oriented business, related to: (i) purchase of equipment or technological solutions; (ii) collaboration with universities and among clusters; (iii) development of brand strategy and brand products; (iv) joint innovative projects for new or improved products/processes/services; (vi) specialized training; and (vii) promotional activities (fairs, B2B, etc.) | Grant (covers 75% of the project but no more than MKD 1 million per applicant and per activity) | **7,000,000** |
| **Social responsibility** | Support for development and implementation of socially acceptable practices of businesses: (i) introduction and certification of a social responsibility system; and<br>(ii) introduction and certification of responsible market relations. | Grant (i) 70% of expenses, up to MKD 120,000 per company; (ii) 50% of expenses, up to MKD 27,675 per company | **1,200,000** |
| **Development in tourism** | Support for various activities (training, promotional campaigns and materials, innovation and digitalization, rural tourism, etc.) | Grant 50% of expenses | **26,000,000** |
| **Total for 2019** | All support measures listed | | **79,180,000** |

Source: WTO Secretariat, based on WTO document G/SCM/N/343/MKD, 19 March 2019.

3.83. North Macedonia's industrial policy instruments have been further developed and funded over the past few years. The challenges currently facing the authorities are to ensure the effective implementation of these instruments, to adequately monitor their results, to strengthen coordination among the different government agencies involved in their implementation, and to avoid overlapping between measures and institutional responsibilities.

### 3.3.3 Standards and other technical requirements

3.84. The legal framework for the application of technical regulations and standards in North Macedonia comprises the Law on Standardization[52]; the Law on Product Safety[53]; the Law on

[52] Published in Official Gazette No. 54/2002 and amended in Official Gazette Nos. 84/2012 and 23/2013.
[53] Published in Official Gazette No. 33/06 and amended in Official Gazette Nos. 63/07, 24/11, 51/11, and 148/11.

Metrology[54]; the Law on the Control of Articles of Precious Metals[55]; the Law on Accreditation[56]; and the Law on Market Surveillance.[57] During the review period, North Macedonia continued the process of harmonizing its technical regulations and standards with relevant EU rules, with a view to preparing itself for accession to the European Union.

3.85. The Ministry of Economy is the main authority responsible for the adoption of technical regulations, including the transposition of the EU *acquis.* It is also the authority responsible for notifying the WTO and the EU Commission on technical regulations. Technical regulations are adopted by the Minister of Economy or the minister authorized by law as the competent authority for issues related to the production, marketing and release into free circulation of certain products or group of products. The evaluation of compliance with technical requirements is conducted by authorized legal entities. The Minister of Economy issues authorizations based on a criterion for accreditation in accordance with the Law on Accreditation. The authorized entities have the power to issue compliance certificates, upon written application by the interested legal or natural persons. North Macedonia acknowledges the foreign compliance documents and markings issued in accordance with the international agreements signed and ratified by it.[58]

3.86. The Standardization Institute of the Republic of North Macedonia (ISRM), as the national standardization body, participates in international, European and regional organizations for standardization, promotes standardization activities, and brings together public and private stakeholders. It develops and adopts voluntary national standards and acts as the WTO enquiry point. It has adopted 28,898 standards, most of which are European standards.[59] It is a full member of the European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC). It is currently implementing its 2018-20 strategy for the development of standardization.

3.87. The Institute for Accreditation of the Republic of North Macedonia (IARM) is responsible for the monitoring and control of accredited authorities for compliance evaluation. It decides on the accreditation procedure and oversees compliance with accreditation requirements. The IARM has signed agreements with the International Accreditation Forum, the European Cooperation for Accreditation, and the International Laboratory Accreditation Cooperation. The recognition of certificates for ISO 9001 is underway. In 2017, the IARM continued to work on accrediting laboratories operating within state-funded higher education facilities and public health institutions. So far, it has accredited 206 conformity assessment bodies for calibration, testing, medicinal laboratories, and product and process certification and inspection.

3.88. The State Market Inspectorate is responsible for the monitoring and control of the enforcement of the provisions of the Law on Product Safety.[60] In 2017, it conducted more than 756 inspections in connection with the Law, (compared with 500 inspections in 2016), mostly on household appliances, certain construction products, toys, and children's clothing.[61] The Inspectorate coordinates its surveillance activities with other inspectorates and customs authorities. Pursuant to Article 8 of the Law on Market Surveillance, a National Coordinating Body on Market Surveillance was established in May 2018.[62] This Body is composed of representatives of various state inspection organs and ministries. In addition to the State Market Inspectorate, the members of this Coordinating Body are the State Labour Inspectorate, the State Inspectorate for Technical Inspection, the State Sanitary and Health Inspectorate, the Food and Veterinary Agency, the State Environment Inspectorate, the Agency for Electronic Communications, the Customs Administration, the Agency of Medicines, the Ministry of Transport and Communication, and the Ministry of Economy. The Coordinating Body signed a memorandum of understanding with the Customs Administration

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[54] Published in Official Gazette No. 55/02 and amended in Official Gazette Nos. 84/07, 120/09,136/11, 06/12, 164/13, 04/14, 192/15 and 53/16.

[55] Published in Official Gazette No. 23/95 and amended in Official Gazette No. 22/07.

[56] Published in Official Gazette No. 120/2009 and amended in Official Gazette Nos. 53/11, and 41/2014.

[57] Published in Official Gazette No. 48/2010.

[58] Viewed at: http://transparency.cefta.int/tradeportal/Macedonia/en/Technical%20Requirements/.

[59] The 28,898 adopted standards include 3,049 international standards and 83 national standards.

[60] Viewed at: http://transparency.cefta.int/tradeportal/Macedonia/en/Technical%20Requirements/.

[61] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia*, SWD (2018), 154 final, Strasbourg, 17 April 2018, p.54. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

[62] Decision No. 44-474311 of 29 May 2018.

that lays down specific areas for cooperation regarding the control of products that enter the market of North Macedonia.

3.89. The Bureau of Metrology, under the Ministry of Economy, oversees the implementation of the Law on Metrology and the Law on the Control of Articles of Precious Metals. It inspects compliance with metrology standards, and issues export/import permits for precious metals. It is a member of the European Association of National Metrology Institutes, a signatory of the International Committee of Weights and Measures Mutual Recognition Arrangement, a member of the International Organization of Legal Metrology and an associate member of European Cooperation on Legal Metrology (WELMEC). The Bureau published its calibration and measurement capabilities in the fields of mass, volume and flow and thermometry.

3.90. Food labelling obligations are regulated by the Law on Food Safety[63] and related by-laws. The labelling requirements are the same for domestic and imported foodstuffs. In addition, imported products must display the address of the importer, the place of origin, and the country from which the product is imported. In addition to mandatory food labelling requirements set out in a Rulebook issued in 2005[64], labelling requirements defined by food category are prescribed by rulebooks that contain specific safety requirements or quality guidelines for particular food products.[65]

3.91. Since the last Review, North Macedonia submitted one notification to the WTO Committee on Technical Barriers to Trade.[66]

3.92. The authorities indicated that they aim to achieve full harmonization with the EU *acquis* in the area of products safety, during the period 2019-21, particularly through the transposition of EU New Approach Directives.[67]

### 3.3.4 Sanitary and phytosanitary measures

3.93. The main laws concerning the application of sanitary, veterinary and phytosanitary measures in North Macedonia are the Law on Food Safety[68]; the Law on Feed Safety[69]; the Law on Veterinary Health[70]; the Law on Veterinary Medicinal Products[71]; the Law on Animal By-Products[72]; the Law on Animal Health and Welfare[73]; the Law on the Identification and Registration of Animals[74]; the Law on Plant Health[75]; and the Law on Plant Protection Products.[76] At the time of writing, a draft law on

[63] The Food Safety Law was published in Official Gazette No. 157/10 and amended in Official Gazette Nos. 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 84/15, 129/15, 213/15, 39/16, and 68/2018.
[64] Published in Official Gazette No. 150/2005.
[65] Viewed at: http://www.fva.gov.mk/index.php?option=com_content&view=article&id=210&Itemid=164&lang=mk.
[66] WTO document G/TBT/N/MKD/8, 27 March 2015. This notification concerned the introduction of the Draft Law on Construction Products, harmonized with Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011.
[67] The European Commission's 2018 progress report highlights the need for North Macedonia to align its regime with the EU General Products Safety Directive and ensure adequate administrative capacity to enforce its legal framework. European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia*, SWD (2018), 154 final, Strasbourg, 17 April 2018, p.53. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.
[68] Published in Official Gazette No. 157/10 and amended in Official Gazette Nos. 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 84/15, 129/15, 213/15, 39/16, and 68/2018.
[69] Published in Official Gazette No. 145/2010 and amended in Official Gazette Nos. 53/2011, 1/2012, and 33/2015.
[70] Published in Official Gazette No. 113/07 and amended in Official Gazette Nos. 24/11, 136/11, 123/12, 154/15, and 53/16.
[71] Published in Official Gazette No. 42/2010 and amended in Official Gazette Nos. 136/2011, 149/2015, and 53/2016.
[72] Published in Official Gazette No. 113/07 and amended in Official Gazette Nos. 144/2014, and 53/2016.
[73] Published in Official Gazette No. 144/2014.
[74] Published in Official Gazette No. 95/2012 and amended in Official Gazette Nos. 27/2014, 149/2015, and 53/2016.
[75] Published in Official Gazette No. 29/2005 and amended in Official Gazette Nos. 81/08, 20/09, 57/10, 17/11, 148/11, 69/13, 43/2014, 158/2014, 149/15, 39/16, and 83/18.
[76] Published in Official Gazette, No. 110/07 and amended in Official Gazette Nos. 20/09, 17/11, 53/11, 69/13, 10/15, 129/15, and 39/16.

phytopharmacy was under consideration in Parliament. The WTO national enquiry point for sanitary and phytosanitary measures is the Food and Veterinary Agency, and the national notification authority is the Ministry of Economy.

3.94. With respect to sanitary and veterinary policy, implementing regulations (rulebooks) were adopted during the period under review in relation to the import and transit of live animals and products of animal origin, pursuant to the Law on Veterinary Health, the Law on Food Safety, the Law on Animal Health and Welfare, the Law on Feed Safety, the Law on Animal By-Products, and the Law on Veterinary Medicinal Products. Rulebooks were also adopted in relation to the import and transit of food of non-animal origin, under the Law on Food Safety. In addition to these rulebooks, there have also been temporary bans on the import and transit of food, feed, animals and other products, pursuant to Article 81(2) of the Law on Veterinary Health and Article 2 of the Law on Food Safety. According to information provided by the authorities, 75 rulebooks were adopted during this period in the field of sanitary and veterinary policy, and there were 81 temporary bans on the import and transit of food, feed animals and other products. In the area of phytosanitary measures, 11 orders for the implementation of international standards were adopted during the period under review, on the basis of the Law on Plant Health.

3.95. Most changes made since the previous Review to the regulatory and institutional framework for the application of sanitary and phytosanitary measures were aimed at harmonization with international norms. In view of the accession process to the European Union, the Government is focusing on streamlining practices and implementing various measures related to the EU *acquis,* regarding field inspection services, official controls, food and feed safety, animal disease control, plant health and plant protection products, control of veterinary medicinal products, and enhancement of border post import control.

3.96. During the period covered by this review, North Macedonia concluded several international agreements related to sanitary and phytosanitary measures. In the areas of food safety and veterinary policy, the relevant agreements are the following:

- the protocol on mutual recognition and acceptance of certificates issued by accredited laboratories for food and feed between the Food and Veterinary Agency of the Republic of North Macedonia and the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, signed in Skopje on 21 November 2014;
- the memorandum for cooperation between the Federal Service for Veterinary and Phytosanitary Surveillance of the Russian Federation, the Ministry for Agriculture, Forestry and Water Economy of the Republic of North Macedonia, and the Food and Veterinary Agency of Republic of North Macedonia, signed on 4 June 2015;
- the protocol between the Food and Veterinary Agency of the Republic of North Macedonia and the General Administration for Quality Supervision, Inspection and Quarantine of the People's Republic of China, in relation to the health requirements for quarantine applicable to frozen lamb meat intended for export from North Macedonia to the People's Republic of China, signed 26 November 2015; and
- the agreement for scientific and technical cooperation between the Food and Veterinary Agency of the Republic of North Macedonia and the Directorate General of Animal Health and Veterinary Medicines and the Directorate-General for Hygiene, Food Safety and Nutrition of the Ministry of Health of the Italian Republic in the field of veterinary public health, signed in Rome on 18 December 2018.

3.97. In the phytosanitary area the following agreements were concluded:

- the memorandum for cooperation between the Federal Administration for Veterinary and Phytosanitary Supervision of the Russian Federation and the Ministry of Agriculture, Forestry and Water Economy and Food and Veterinary Agency of the Republic of North Macedonia;
- the protocol between the Plant Health Directorate of the Ministry of Agriculture and Environment of the Republic of Serbia and State Agriculture Inspectorate of the Ministry of Agriculture, Forestry and Water Economy of the Republic of North Macedonia for border control of railway traffic on the Preshevo–Tabanovce Border Inspection Posts;
- the agreement between the Government of the Republic of North Macedonia and the Government of the Russian Federation for cooperation in the area of quarantine and plant protection; and

- the agreement between the Government of the Republic of North Macedonia and the Government of the Republic of Turkey for cooperation in the area of quarantine and plant protection.

#### 3.3.4.1 Sanitary regulations

3.98. The Food and Veterinary Agency (FVA) is the central competent authority for matters related to food and feed safety, veterinary policy, quality of food, animal by-products, and veterinary medicinal products. The authorities indicated that steps were recently taken to improve the FVA's capacity to comply with WTO obligations with respect to notifications.[77]

3.99. The Law on Food Safety regulates the control of safety of food at all stages (production, processing, storage, transport, distribution, retail, and catering). It imposes general and specific conditions and obligations for food operators, their registration and approval, conditions for the import and export of food of animal and non-animal origin, and official controls and their funding, including the monitoring of residues and prohibited substances.

3.100. The FVA carries out regular official controls on imports of food of non-animal origin, including food contact materials, pursuant to Article 88 of the Law on Food Safety. The controls are carried out at an appropriate place, including the inspection post of entry of the products, the point of release for free circulation, warehouses, the premises of the importing business operator, or other points in the food chain. Currently, 11 Border Inspection Points of Entry are in operation on the borders with Serbia, Bulgaria, Greece, Albania, and Kosovo. Official controls applied to imports of food of non-animal origin include at least a systematic documentary check, a random identity check and, where appropriate, a physical check.

3.101. The FVA recently adopted several food safety monitoring programmes[78], which aim to ensure continuous monitoring and timely preventive detection of risks to human health, throughout the food safety chain. Security monitoring is conducted on different types or categories of foods, in relation to different parameters, and in other stages of the integrated chain. The programmes determine the presence and concentration of contaminants in food, the presence of residues of pesticides in and on food, the migration of certain substances from materials and products that come in contact with food, monitor the presence of GMO food, microbiological criteria and other food hazards, and the evaluate their impact on human health.[79]

#### 3.3.4.2 Veterinary regulations

3.102. The Law on Veterinary Health lays down provisions concerning the organization and responsibility of the veterinary service; the principles and procedures for the implementation of activities related to the protection of people and animals against diseases transmitted by animals, products of animal origin, and animal by-products; and activities for combating contagious animal diseases, including zoonosis. It also lays down the measures for the control and eradication of animal diseases, and the general conditions for the placing on the market, import and transit of animals and animal products. The Law on Feed Safety lays down the general rules on feed hygiene, conditions and arrangements, ensuring the traceability of feed, and conditions and arrangements for the registration and approval of feed establishments. The Law on Animal By-Products regulates the categorization, collection, transport, removal, processing, use and storage of animal by-products from the aspect of animal health protection, veterinary public health and environmental protection.

3.103. The FVA carries out border veterinary controls on imported and transiting consignments of live animals, and animal products and by-products, based on its authority under the Law on Food Safety and the Law on Veterinary Health. The import and transit of live animals and products of animal origin are permitted only through approved Border Inspection Posts that meet requirements defined in the Law on Veterinary Health, regarding specific facilities, suitable equipment and suitable

[77] In March 2019, North Macedonia submitted several notifications to the Committee on Sanitary and Phytosanitary measures. See WTO documents G/SPS/N/MKD/5-8, 13 March 2019.

[78] Including a Monitoring Programme for food safety 2019 (Official Gazette No. 8/2019) and a Monitoring Programme for the control and prevention of individual physical, chemical and biological hazards in certain types or categories of food (Official Gazette No. 13/2019).

[79] Food and Veterinary Agency online information. Viewed at: http://www.fva.gov.mk/index.php?lang=mk.

expert personnel necessary for carrying out veterinary inspections. Veterinary border controls on live animals and products of animal origin are carried out at ten designated Border Inspection Posts. During import, animals, and animal products and by-products are subject to a documentary check, an identity check and a physical check by an official veterinarian at the Border Inspection Post. Consignments in transit are subjected to a documentary check, an identity check and, if necessary, a physical check.

3.104. Animals, and animal products and by-products may be imported into North Macedonia under the following conditions: (a) they originate from a country or part of a country authorized to export the animal species or category of animal products or by-products to North Macedonia; (b) in the case of animal products and by-products, they were produced in an establishment authorized to export the respective category of animal products or by-products to North Macedonia; and (c) they are accompanied by a health certificate or other document. Imports of animals, or animal products or by-products may be banned, or conditions for imports may be amended, by decision laid down by the Chief Veterinary Officer in the case of an outbreak of a contagious animal disease or any other incident in the country of origin which may pose a risk to animal or public health in North Macedonia.

3.105. Food of animal origin may be imported into North Macedonia if: (a) it originates from an EU member State or part thereof, or a third country or part thereof which appears on the list of third countries from which the import into the European Union is approved, and the concerned list is prepared and updated by the European Commission; (b) it originates from a third country or part thereof which appears on the list prepared and updated by the FVA. The third country is put on the list if it was subject to control by the European Union or the FVA and, during the control, it was confirmed that the suitable guarantees were met. The third country is put on the list without being subject to control if the FVA, based on an analysis of the documentation, establishes that those suitable guarantees are met; (c) the establishment from which the product was dispatched and the establishment in which the product was obtained, prepared or stored, are present on the list of establishments of the EU member States, the list of establishments of third countries from which the import into the European Union is approved, and which is prepared and updated by the European Commission, and on the list of approved establishments of third countries prepared by the FVA.

#### 3.3.4.3 Phytosanitary regulations

3.106. The phytosanitary regulatory system of North Macedonia is composed of the following competent authorities: (a) the Phytosanitary Directorate; (b) the State Phytosanitary Laboratory; (c) the State Agriculture Inspectorate; and (d) the Directorate for Seeds and Seedling Materials.

3.107. The Phytosanitary Directorate is a body within the Ministry of Agriculture, Forestry and Water Economy, and is responsible for the development of national policy and legislation with respect to plant health, plant protection products, and fertilizers. It is also responsible for the coordination and exchange of information among state authority bodies; deciding on administrative procedures for issues in the areas of plant health, plant protection products and fertilizers; relations with the European Union; and implementing the international conventions, agreements and contracts regarding plant health which North Macedonia has ratified.

3.108. The State Phytosanitary Laboratory is a body within the Ministry of Agriculture, Forestry and Water which conducts laboratory activities (analyses of pesticide formulation and residues of plant protection products, seeds, and diagnosis of samples of plant harmful organisms) according to annual phytosanitary monitoring programmes and monitoring programmes for plant protection products and residues of plant protection products in primary agricultural products, and tests seeds and seedling materials.

3.109. The State Agriculture Inspectorate is responsible for the control of food safety in the primary production of food of plant origin, plant health, and the implementation of measures for the prevention and containment of harmful organisms. It carries out controls pursuant to the Law on Plant Health, the Law on Plant Protection Products, the Law on Seeds and Seedlings, and the Law on New Plant Varieties. The Phytosanitary Inspection Department, under the State Agriculture Inspectorate, is responsible for internal and border phytosanitary inspection. It also issues phytosanitary certificates for the import and export of plants, plant products and plant protection products.

3.110. The Directorate for Seeds and Seedling Materials is a body within the Ministry of Agriculture, Forestry and Water Economy which develops policy and legislation in the area of seeds and propagation material.

3.111. Imports of certain types of plants, plant products and other controlled items, agricultural reproduction material, forest reproduction material, and means of protection of plants are subject to inspection at the point of entry. Provisions for conducting official import and export controls for plant health are laid down in the Laws on Plant Health; Plant Protection Products (based on EU Directive 91/414/EC); Fertilizers; Seed and Seedlings; and Protection of New Plant Varieties.[80]

3.112. The authorities indicated that the following legal acts were adopted during the period under review, on the basis of the Law on Plant Health (Table 3.12).

### Table 3.12 Legal acts adopted on the basis of the Law on Plant Health

| Title of legal act | Publisher | Link |
|---|---|---|
| Order for implementation of international standard for pest risk analysis for quarantine pests No. 11 | (Official Gazette No. 35/2014) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=31077 |
| Order for implementation of international standard for categorization of commodities according to their pest risk No. 32 | (Official Gazette No. 44/2018) | https://www.akademika.com.mk/daisyImg/eJurist-mk/191062-ejst/version/2/part/5/data |
| Order for implementation of international standard for methodologies for sampling of consignments No. 31 | (Official Gazette No. 52/2013) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=28068 |
| Order for implementation of international standard for pest-free potato, micropropagative material and minitubers intended for international trade No. 33 | (Official Gazette No. 26/2013) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=27668 |
| Order for implementation of international standard for guidelines for the notification of non-compliance and emergency action No. 13 | (Official Gazette No. 26/2013) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=29674 |
| Order for implementation of international standard for requirements for the establishment of pest-free areas No. 4 | (Official Gazette 106/2014) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=32680 |
| Order for implementation of international standard for guidelines for the determination and recognition of equivalence of phytosanitary measures No. 24 | (Official Gazette No. 73/2017) | http://www.slvesnik.com.mk/Issues/d37b3bf02fdf457fa8440930ea4773bd.pdf |
| Order for implementation of international standard for regulation of wood packaging material in international trade No. 15 | (Official Gazette No. 183/2013) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=30283 |
| Order for implementation of international standard for guidelines for surveillance No. 6 | (Official Gazette No. 26/2013) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=27665 |
| Order for implementation of international standard for using of integrated measures in a systems approach for pest risk management No. 14 | (Official Gazette No. 136/2013); | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=29533 |
| Order for implementation of international standard for requirements for the establishment of pest-free places of production and pest-free production sites No. 10 | (Official Gazette No. 123/2014) | http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=33355 |
| Order for implementation of international standard for requirements for the establishment of areas of low pest prevalence No. 22 | (Official Gazette No. 134/2017) | http://www.slvesnik.com.mk/Issues/439f255dcdfd4ed3a318431b661545a5.pdf |

Source: Information compiled by the WTO Secretariat, based on information provided by the authorities.

3.113. Imports of agricultural and forest plants, plant products, and seeds and plant propagating materials may be conducted only at the border crossing points specially assigned to perform phytosanitary checks in accordance with annual monitoring programmes. Importers are initially required to submit an Inspection Control Application, followed by quarantine pest sampling. Certified seeds and propagating material undergo phytosanitary inspection during vegetation periods by

[80] CEFTA online information. Viewed at: http://transparency.cefta.int/tradeportal/Macedonia/en/Phytosanitary/.

institutions appointed by the Minister of Agriculture, Forestry and Water Management, as well as by laboratories carrying out the analyses. In general, for imports of plants, plant products, and seeds and plant propagating materials plants, a Phytosanitary Certificate issued by the Ministry of Agriculture is required; there are no exceptions to this requirement. North Macedonia does not require additional certificates or sanitary registrations for products confirmed to be safe by recognized international authorities.

3.114. With respect to certain issues raised in the 2018 European Commission report on enlargement[81], the authorities indicated that several steps were recently taken to strengthen the capacity of the Phytosanitary Inspectorate to collect and analyse data, to develop a phytosanitary information and communication system, to enhance the effectiveness of phytosanitary inspection, and to meet international standards regarding the determination of pest status.

### 3.3.5 Competition policy, state aid and price controls

#### 3.3.5.1 Competition policy

3.115. The main legal acts governing competition policy are the Law on the Protection of Competition (LPC) and the Law on State Aid Control, both published in 2010.[82] In 2012, several by-laws were adopted as part of efforts to harmonize national legislation with the EU *acquis*.[83] A number of guidelines for the assessment of concentrations, the preparation of notifications, the identification of bid-rigging, leniency procedures and other matters were published during the period under review. An important legislative change was the 2014 amendment of the Criminal Code in order to align it with the LPC, thereby allowing for the application of leniency procedures. According to the European Commission, North Macedonia's laws in this area are broadly aligned with EU competition rules and the SAA (Article 69), but significant efforts are needed to strengthen the enforcement record and the expertise of the competition authority.[84]

3.116. The Commission for the Protection of Competition (CPC), an independent state authority with legal status, is responsible for implementing competition rules. It may act upon request by an interested party or on its own initiative. It has exclusive jurisdiction to investigate breaches of competition law, make final decisions, and approve or prohibit concentrations of undertakings (mergers, joint ventures, acquisition of control). As part of its investigative powers, it can issue requests for information, hold oral hearings, and order in-situ inspections and other measures to collect evidence. If it finds a breach, the CPC is empowered to impose fines or accept commitments. Its decisions may be appealed before the Administrative Court. Other functions of the CPC are proposing secondary legislation, issuing opinions on draft laws that may impact competition, and carrying out analysis of competition conditions in particular markets.

3.117. The LPC regulates anti-competitive behaviour and concentrations. It applies to all forms of prevention, restriction or distortion of competition that produce effects in the territory of North Macedonia, even if they are caused by acts carried out outside the country. Its rules are applicable to private and public undertakings, and to undertakings with special or exclusive rights, except where their application would obstruct the performance of the tasks assigned to them. The Law does not contain industry-specific provisions, and it applies to all sectors, including the regulated sectors, such as banking, insurance, energy, and telecommunications. In such instances, the CPC works in cooperation with the sector regulators.

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[81] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia, SWD (2018), 154 final*, Strasbourg, 17 April 2018, p.65. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

[82] The LPC was published in Official Gazette No. 145/2010 and amended in Official Gazette Nos. 136/2011,41/14, 53/16, and 88/18. The Law on State Aid Control was published in Official Gazette No. 145/2010.

[83] These by-laws concern mainly conditions for block exemptions for different types of agreements. Published in the Official Gazette Nos. 41/12, 42/12, and 44/12.

[84] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia, SWD (2018), 154 final*, Strasbourg, 17 April 2018, p. 60. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

3.118. The Law prohibits agreements, decisions and concerted practices between undertakings which have as their object or effect the distortion of competition, and provides an illustrative list of these agreements, which are to be considered null and void.[85] However, any determination that a prohibited agreement/decision/practice is in place is subject to prior investigation by the CPC and an assessment of its effects on the relevant market. The prohibition does not apply to agreements, decisions and/or concerted practices that contribute to the improvement of the production or distribution of services, or to the promotion of technical or economic development, provided certain conditions are met (including that consumers have a fair share of the resulting benefit).[86] The CPC may decide not to apply the prohibition to a particular agreement or practice, if it deems it necessary for protecting the public interest. Also, as a general rule, the prohibition will not apply to agreements of "minor importance" (i.e. if the joint market share of the undertakings in the agreement does not exceed certain thresholds).

3.119. An undertaking is presumed to have a dominant position if its share of the relevant market amounts to more than 40%. Having a dominant position is not prohibited *per se*. The LPC specifies the situations in which the abuse of dominant position in the relevant market, or a substantial part thereof, is prohibited. These include the imposition of unfair purchase/selling prices or other unfair conditions; limiting production, markets or technical development to the prejudice of consumers; or applying different conditions to equivalent legal transactions with other trading partners, thereby putting them at a disadvantage.[87]

3.120. The legislative framework provides for the *ex ante* control of mergers. Prior notification to the CPC is required where a concentration resulting in a permanent change of control meets the following thresholds:

- the aggregate worldwide turnover of all the participants in the preceding accounting year is at least the MKD equivalent of EUR 10 million, and at least one participant is registered in North Macedonia; and/or

- the aggregate turnover of all participant undertakings in North Macedonia was at least the MKD equivalent of EUR 2.5 million in the preceding accounting year; and/or

- one of the participants has a market share in North Macedonia exceeding 40%, or the participants have a combined market share exceeding 60%.

3.121. The CPC must decide whether the notified concentration complies with the Law (Phase 1) or whether a more in-depth investigation (Phase 2) is needed; time-limits apply in both cases. If the CPC fails to decide within the prescribed time-limits, the concentration will be deemed to be compliant. The LPC prohibits concentrations that significantly impede effective competition in the domestic market, or a substantial part thereof, in particular as a result of the creation or strengthening of a dominant position. The participants to a concentration can enter into a commitments arrangement with the CPC during Phase 2; this may include divestiture, removing links between the parties to the concentration, or structural remedies (e.g. granting access to key infrastructure). The CPC may clear the concentration, with or without conditions, or prohibit it.

3.122. The CPC has the power to impose sanctions if it determines a breach of the Law. It can impose a fine of up to 10% of the annual turnover in the preceding accounting year on an undertaking that has: i) concluded or taken part in a prohibited agreement decision or practice leading to distortion of competition; ii) abused its dominant position; iii) failed to implement interim measures; or iv) failed to apply the measures decided by the CPC to eliminate the harmful effects arising from the misdemeanor. Failure to notify the CPC of a concentration, or the implementation of a transaction before obtaining approval or after it has been prohibited, carry a fine of up to 10% of the worldwide turnover of the undertaking in the preceding accounting year. Moreover, the CPC

[85] Article 7 of the LPC.

[86] Block exemptions apply to: i) vertical agreements for the exclusive right of distribution, the selective right of distribution, or the exclusive right of purchasing and franchising; ii) horizontal agreements for research and development or specialization; iii) agreements for the transfer of technology, licence or know-how; iv) agreements for the distribution and repair of motor vehicles; v) insurance agreements; and vi) agreements in the transport sector. Article 9 of the LPC.

[87] Article 11 of the LPC.

can order the transaction to be unwound, and/or temporarily prohibit the activity of the undertaking involved (from 3 to 30 days for legal entities and from 3 to 15 days for natural persons).

3.123. The LPC provides for a leniency policy. Upon the request of an undertaking that has admitted its participation in a cartel, the CPC may grant full or partial leniency. Full leniency is granted if the undertaking is first to present the necessary evidence enabling the initiation or completion of a cartel investigation, and meets certain conditions. Partial leniency is granted to parties that subsequently cooperate with the investigation by submitting additional evidence, provided they also meet the prescribed conditions. Since its inception in 2010, the leniency policy has not been used.

3.124. Any person who suffers harm resulting from a breach of the LPC may claim damages in a civil proceeding at the relevant courts. The damages are determined and assessed in accordance with the rules of civil law. The Criminal Code provides for criminal liability relating to cartels in the case of individuals. A responsible person within a legal entity who concluded or participated in a prohibited agreement, decision or practice with the aim of preventing or limiting competition is liable for imprisonment from one to ten years. However, the responsible person can be released from imprisonment if the CPC grants leniency to the legal entity.

3.125. During the review period, the CPC maintained a significant level of activity. It adopted a total of 269 decisions concerning concentrations, cartels and abuse of dominant position between January 2013 and December 2018 (Table 3.13). Most of the decisions dealt with concentrations, and their number has risen in the last years. The maximum fine, equivalent to 10% of annual turnover, was applied for the first time in 2017. Notwithstanding this positive record of activity, there seems to be room for further strengthening the CPC's enforcement record, including through the implementation of the leniency policy.[88]

**Table 3.13 Decisions by the Commission for the Protection of Competition, 2013-18**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Concentrations | 18 | 30 | 42 | 31 | 50 | 61 |
| Cartels (forbidden agreement) | 2 | 4 | 3 | 3 | 6 | 4[a] |
| Abuse of dominant position | 3 | 4 | 3 | 2 | 1 | 2 |
| **Total** | **23** | **38** | **48** | **36** | **57** | **67** |

a The existence of abuse of dominant position and of a forbidden agreement were determined in the same decision.

Source: Information provided by the authorities.

3.126. The CPC is mandated by law to cooperate with the competition authorities of other countries. Accordingly, it has signed MoUs with the competition agencies of Serbia; Croatia; Bulgaria; Bosnia and Herzegovina; Turkey; the Russian Federation; and Kosovo, and it is currently negotiating MoUs with the competition authorities of Ukraine, Georgia, and Montenegro. Domestically, the CPC has concluded MoUs with the Ministry of the Interior, the Public Procurement Bureau, and several sectoral regulatory agencies (i.e. audio-visual and media services; electronic communications; railways; energy; and postal services).

### 3.3.5.2 State aid

3.127. State aid, which represented 0.2% of GDP in 2017 and 2018, is also under the purview of the CPC, in accordance with the Law on State Aid Control and its by-laws. These laws have transposed relevant EU rules in this area. In 2014, several regulations were enacted to enhance the legal framework; these include: the Regulation on the manner and procedure of notification of state aid, as well as the procedure for monitoring existing state aid; the Regulation on conditions and procedure for granting horizontal aid; the Regulation on establishing conditions and procedure for granting regional state aid; the Regulation on the conditions and procedure for granting aid of minor

[88] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia, SWD (2018), 154 final*, Strasbourg, 17 April 2018, p. 61. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

importance (*de minimis*); and the Regulation on establishing conditions and procedure for granting aid for rescue and restructuring of firms in difficulty.

3.128. The Law on State Aid Control applies to any form of aid granted by state aid providers in any economic sector, except agriculture and fisheries. Providers of state aid must notify to the CPC their plans to grant new state aid or alter existing state aid, for assessment of compliance with the law. State aid measures are notified and assessed as part of support schemes, or as individual measures if they are not included in a scheme. If a state aid measure is not notified, the CPC may investigate it *ex post* and, if it finds the measure to be incompatible with the Law on State Aid Control, it has the power to order its recovery.

3.129. In 2015, the CPC adopted 25 positive decisions on state aid, most of them supporting foreign investors operating in the TIDZs. The number of decisions dropped to 13 in 2016 and to 6 in 2017 but increased to 21 in 2018. With only four officials, the CPC is understaffed. According to the European Commission, the CPC's enforcement capacity is inadequate to deal with the growing number of state-aid cases; the Commission also identified the need to increase the transparency of state aid granted, and to ensure that it is free from conflicts of interest.[89]

#### 3.3.5.3 Price controls

3.130. Price controls apply, in the form of regulated and approved prices (not direct controls), on a few products and services, which are characterized by monopolistic supply conditions. Prices in the energy sector (oil derivatives and electricity for universal/last-resort suppliers) and prices of telecommunications and postal services are regulated.

### 3.3.6 State trading, state-owned enterprises, and privatization

3.131. North Macedonia notified the WTO that, during the period under review, it did not maintain any state trading enterprises within the definition contained in paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT.[90]

3.132. Under the Law on Privatization of State Capital[91] and the Law on Transformation of Enterprises with Social Capital[92], a wave of privatizations of state-owned enterprises (SOEs) took place during the 1990s. The process is now nearly complete, with some remaining SOEs operating in sectors such as energy, transportation, and water supply. Both domestic and foreign investors may participate in privatizations through public call procedures.

3.133. The main developments concerning SOEs during the period under review include: the formation of a strategic partnership between a state-owned tobacco producer (Tutunski Kombinat AD Prilep) and an international tobacco company (2014), through which the latter acquired a 51% stake in the new company; the sale of the Government's shares (33%) in Poshtenska Banka, which thereupon became 100% privately-owned (2014); and the initiation of bankruptcy proceedings in two industrial SOEs (electronic manufacturer JSC EMO OHRID and chemical producer JSC OHIS) in 2016.

3.134. The Commission for Privatization is the main government institution in charge of administering state capital and SOE matters. It has the power to propose the sale of shares of state capital in enterprises, and the appointment of government representatives in state enterprises. The Ministry of Economy is responsible for the sale of state capital declared in shares and stakes in enterprises, and the Ministry of Finance is responsible for the sale of state-owned in banks and

[89] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia, SWD (2018), 154 final*, Strasbourg, 17 April 2018, p. 61. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

[90] WTO documents G/STR/N/16/MKD/Rev.2, 9 May 2018; and G/STR/N/17/MKD, 27 July 2018.

[91] Official Gazette Nos. 37/1996, 25/1999, 81/1999, 49/2000, 6/2002, 74/2005, 123/2012; and 166/2014.

[92] Official Gazette Nos. 38/1993, 48/1993, 21/1998, 25/1999, 39/1999, 81/1999, and 49/2000.

financial institutions.[93] The State Pension and Disability Insurance Fund is responsible for the management of the shares and stakes of state capital that are transferred to it.

3.135. There is no published list of SOEs. The authorities indicated that there are currently 57 SOEs, of which 16, mostly public utilities, are wholly-owned by the State (Table 3.14). The remaining 41 are partially state-owned, with state shares ranging from less than 1% to 99%; among these are several public utility enterprises owned by local governments.[94]

3.136. The state enterprises with the largest share of state capital are: ELEM (electricity producer), T-mobile (telecommunications), MEPSO (electricity transmission system operator), Tutunski Kombinat AD Prilep (tobacco company), and Macedonian Railway Transport AD Skopje. As at February 2019, state capital in these companies amounted to EUR 883,43 million, or 8.27% of GDP. State capital in the remaining SOEs represented 2.42% of GDP.[95]

### Table 3.14 State-Owned Enterprises, 2019

| Type of ownership | Number |
|---|---|
| **Enterprises fully owned by the State:** Macedonian Post; Macedonian Bank for Development Promotion; ELEM; MEPSO; MIA; Eurocompozit AD Prilep; TEC Negotino; Energetika AD Skopje; Agri lend Skopje; Drzavna lotarija na Makedonija; M-HAB AD Skopje; Macedonian Airport AD Skopje; Macedonian Railway Transport AD Skopje; Public Housing Company AD Skopje; Housing and Real Estate Company AD; and Water Supply of Macedonia AD. | **16** |
| **Enterprises partially owned by the State** | **41** |
| Enterprises with less than 1% of state capital | 24 |
| Enterprises with state capital of between 1% and 10% | 8 |
| Enterprises with state capital of between 10% and 99% | 9 |
| **Total number of SOEs (full or partial state ownership)** | **57** |
| Nominal value of the state capital in all the enterprises | EUR 1,141.84 million |
| State capital as a percentage of GDP | 10.69% |

Source: Information provided by the authorities.

3.137. Pursuant to the Constitution of North Macedonia, the same terms of competition apply to both private and public enterprises, with respect to access to markets, credit and other business operations. SOEs also receive the same tax treatment as private companies, and are not granted special advantages such as preferential access to land or raw materials. Nevertheless, SOEs maintain close ties to the Government; their boards of directors are commonly appointed by the Government, and so are their general managers, who regularly report to government ministers. North Macedonia is not a signatory to the OECD Guidelines on Corporate Governance for SOEs.

### 3.3.7 Government procurement

3.138. The value of government procurement in North Macedonia amounted to MKD 38,2 billion, or 6% of GDP, in 2017. This was a significant decrease from 2016, when the value of public contracts awarded was MKD 58.8 billion (10% of GDP).

3.139. In February 2017, North Macedonia submitted its application for accession to the WTO Agreement on Government Procurement (GPA)[96], together with its replies to the Checklist of issues for provision of information relating to accession to the GPA. In February 2018, it submitted its initial market access offer to accede to the revised GPA to the Committee on Public Procurement. Several GPA parties provided comments on the offer. At the time of writing this report, negotiations on the accession of North Macedonia to the GPA were ongoing.

3.140. North Macedonia's public procurement system is decentralized. Until 31 March 2019, it was regulated by the Law on Public Procurement (LPP), which entered into force in 2008.[97] Some of the amendments introduced to the LPP during the period under review relate to the establishment of

[93] Articles 5 and 9 of the Law on Privatization of State Capital.
[94] Information on state capital in SOEs is with the Central Securities Depository.
[95] Information provided by the authorities.
[96] WTO document GPA/143, 17 March 2017.
[97] The LPP was published in Official Gazette No. 136/07, and was amended and supplemented in 2008, 2009, 2011, 2013, 2014, 2015, 2016 and 2017.

the lowest price criterion as the default award criterion, the introduction of the negative reference list (blacklisting) of suppliers, and the introduction of provisions on criminal offences. The LPP is supplemented by several by-laws, regulations and manuals.

3.141. In January 2019, the Parliament adopted a new Law on Public Procurement (new LPP), which transposes several EU directives on public procurement (2014/24/EU, 2014/25/EU and 2007/66/EC).[98] The new LPP entered into force on 1 April 2019, although some of its provisions will not become applicable until 2020. The objective of the new LPP is to strengthen transparency and control over procurement procedures, while at the same time streamlining them and making them easier to apply. While the general structure and content of the previous Law remain essentially the same, some significant changes were introduced by the new LPP (Box 3.1).

### Box 3.1 Main changes introduced by the new Law on Public Procurement

Some of the main changes introduced by the new Law on Public Procurement, approved in January 2019 and published in Official Gazette No. 24/19, include the following:

- the obligation by contracting authorities to publish public contracts and all pertaining documentation for each individual procurement procedure on the Electronic System for Public Procurement;
- the possibility for quality to be evaluated, in addition to price (previously the lowest price was the default award criterion);
- e-auctions are no longer mandatory but remain an option;
- the thresholds for the application of the Law were increased;
- the manner of carrying out small-value procurement was clarified, and an obligation by the contracting authorities to report small-value procurement was introduced;
- an e-market place for small-value procurement was created, in the form of an e-catalogue;
- innovation partnership was introduced as a new procurement procedure;
- *ex-ante* control by the Public Procurement Bureau was introduced for large-value procurements and for procurements selected through risk assessment and principles stipulated in the law; and
- new provisions for the promotion of socially and environmentally responsible procurement.

Source: WTO Secretariat.

3.142. The Public Procurement Bureau (PPB), under the Ministry of Finance, is responsible for monitoring the implementation of the LPP, and for developing the public procurement system. Its responsibilities include normative issues, the development of e-procurement technologies, international cooperation and EU integration matters. The State Appeals Commission, an independent body established in 2008, is competent to carry out review proceedings relating to public procurement. The Public Procurement Council, established in 2013 with *ex-ante* control competencies (i.e. its consent was required, in certain cases, before procuring entities could issue a public procurement notice), was abolished in November 2017.[99] The Ministry of Economy is the competent authority regarding concessions and public-private partnerships (PPPs).

3.143. The PPB manages the Electronic System for Public Procurement (ESPP), available online to procuring entities and economic operators.[100] Most activities related to the procurement process are performed through the ESPP, including the publication of contract notices and tender documentation, submission of tenders, public opening and evaluation, decision making, contract award notices, e-auctions, and cancellation of procedures. Prior registration with the ESPP is required to participate in public tenders, and a small user fee is charged.[101] A legal amendment in 2015 made it mandatory

[98] The new LPP was published in Official Gazette No. 24/19.
[99] Official Gazette No. 165/2017.
[100] The ESPP website. Viewed at: https://e-nabavki.gov.mk.
[101] The annual registration fee is: MKD 2,000 for physical persons and micro enterprises; MKD 4,000 for small and medium enterprises; and MKD 8,000 for large enterprises and foreign economic operators.

for contracting authorities to use the ESPP for e-tendering in all contract notices published as of 2018.

3.144. The principle of non-discrimination and equal treatment for local and foreign economic operators in public procurement procedures is enshrined in the LPP. The Law also ensures the principles of competition among economic operators, transparency and integrity, and the rational and efficient use of funds in awarding public procurement contracts. These principles were retained in the new LPP.

3.145. The new LPP covers the procurement of goods/supplies, services and works by central and local authorities, public companies and any entity receiving public funds (collectively known as "contracting authorities").[102] The central and local government authorities, the legal entities pursuing public interest needs, and the associations owned by the former are called the "classical sector", while the public enterprises and legal entities with special or exclusive rights to carry out certain activities are known as "utilities".[103]

3.146. Procurements excluded from the application of the law are, *inter alia*, certain defence contracts; contracts classified as "state secret"; the acquisition or rental of land; radio and TV programmes; arbitration services; lawyer and notary services; employment contracts; contracts with funds provided by international organizations; and procurement among contracting entities under certain conditions.[104]

3.147. The LPP applied to all procurements of a value exceeding the MKD equivalent of EUR 500 on a monthly-basis, excluding VAT[105], except in the case of some utility contracts. The new LPP increased the minimum thresholds for its application, as shown in Table 3.15. Notices and award notices for procurement procedures with an estimated value equal to or greater than the thresholds in Table 3.15 must be published on the ESPP.

### Table 3.15 Minimum thresholds for application of the new Public Procurement Law

| Type of procurement | Type of procuring authority | | |
|---|---|---|---|
| | Classical sector | Utilities | Utilities with dominant private capital[a] |
| Goods and services | ≥ EUR 1,000 | ≥ EUR 2,000 | ≥ EUR 400,000 |
| Works | ≥ EUR 5,000 | ≥ EUR 10,000 | ≥ EUR 5,000,000 |
| Social and other specific services | ≥ EUR 10,000 | ≥ EUR 20,000 | ≥ EUR 1,000,000 |

a Utilities with dominant private capital that perform a covered activity under special or exclusive rights.

Source: Information provided by the authorities.

3.148. Under the previous LPP, the procurement procedures were classified as follows: open procedure, restricted procedure, competitive dialogue, negotiated procedure with prior publication of a contract notice, negotiated procedure without prior publication of a contract notice, simplified competitive procedure, and design contest.

3.149. The new LPP establishes the following procurement procedures: low-value procurement, simplified open procedure, open procedure, restricted procedure, competitive procedure with negotiation, competitive dialogue, innovation partnership, negotiated procedure with publication of a contract notice, and negotiated procedure without prior publication of a contract notice. The new LPP also provides for special methods for awarding public contracts, including framework agreements; dynamic purchasing systems; electronic auctions; electronic catalogues; and centralized purchasing.[106]

[102] Article 9 of the new LPP.
[103] Utility contracts are public contracts awarded for the purpose of carrying out activities related to gas and heat, electricity, water supply, transport services, ports and airports, postal services, extraction of oil and gas, and exploration/extraction of coal and other solid fuels. Chapter 3 of the new LPP.
[104] Exclusions from the Law's scope are stipulated in Articles 7, 8, 9, 10, 10-a, 10-b, and 11 of the LPP. In the new LPP, the relevant provisions are contained in Articles 22-26.
[105] All thresholds mentioned in this Section exclude VAT.
[106] Procurement procedures are stipulated in Title III, Chapters 1 and 2 of the new LPP.

3.150. Normally, a contracting authority awards a contract using the open procedure or the restricted procedure (this entails a pre-qualification phase). However, in certain cases prescribed by the Law, a contracting authority may apply other procurement procedures. The competitive dialogue may be used if the public contract is particularly complex, and the implementation of an open or restricted procedure would not allow the public procurement contract to be awarded. The competitive procedure with negotiation can be used by contracting authorities of the classical sector in certain cases, such as when: the needs of the contracting authority cannot be met without adaptation of readily-available solutions; the subject matter of the procurement includes design or innovative solutions; due to its complexity or the legal and financial characteristics of the contract, it cannot be awarded without prior negotiation; or the technical specifications cannot be established with sufficient precision. Utilities may use this procedure if they choose to do so.

3.151. The new LPP establishes the low-value procurement procedure to be used for procurements with an estimated value of up to the MKD equivalent of EUR 10,000 for goods and services and up to EUR 20,000 for works. The simplified open procedure is used for procurement of goods and services with an estimated value of up to EUR 70,000, and up to EUR 500,000 for works. It is similar to the open procedure, but the time-limit for submitting bids is shorter, and bidders can prove capacity and qualification requirements through self-declaration. An additional procurement procedure in the new LPP is the innovation partnership, which may be used by a contracting authority if it needs innovative products, services or works that cannot be met by the procurement of products, services or works already available on the market.[107] Another addition in the new LPP is the power granted to the Public Procurement Bureau to perform *ex-ante* control of large-value procurements and procurements selected on the basis of risk assessment and certain principles stipulated in the Law.

3.152. The contracting authorities are obliged to publish a contract notice when they use the simplified open procedure, the open procedure, the restricted procedure, the competitive dialogue, the competitive procedure with negotiation, the negotiated procedure with publication of a contract notice or the innovation partnership. The contract notice must be published both on the ESPP and in the Official Gazette. The low-value procurement procedure requires publication on the ESPP only. For procurement contracts of an estimated value exceeding certain thresholds, the contract notice must be published also in the Official Journal of the European Union or in a relevant business or specialized publication (e.g. Tenders Electronic Daily). The new LPP increases these thresholds to align them with EU procurement Directives (Table 3.16). The contents of the contract notice and the tender documentation are stipulated in the Law, and are further regulated in the respective rulebooks.[108]

**Table 3.16 Thresholds for the publication of contract notices in the Official Journal of the European Union**

| | Type of procuring entity | |
|---|---|---|
| **Type of procurement** | **Classical sector** | **Utilities** |
| Supplies and services, and design contests | ≥ EUR 130,000 | ≥ EUR 400,000 |
| Works | ≥ EUR 5,000,000 | ≥ EUR 5,000,000 |
| Specific services | ≥ EUR 750,000 | ≥ EUR 1,000,000 |

Source: New Law on Public Procurement.

3.153. The minimum time-periods for the receipt of tenders and requests to participate vary, depending on the type of procurement procedure (and, in some cases, also on the type of contracting authority, i.e. whether from the classical or utilities sector). The new LPP reduced some of these time-periods; for example, in the open procedure, the minimum time-limit for the receipt of tenders is 30 days from the date on which the contract notice was published on the ESPP (previously, it was 45 days). Time-periods may be reduced for reasons of urgency as prescribed by the Law.

3.154. The contracting authority must verify if any of the tenderers is on the list of "negative reference for professional misconduct" (blacklisting), available on the ESPP, and must exclude any tenders presented from economic operators with a negative reference. The new LPP limits the

[107] Article 54 of the new LPP.

[108] Rulebook on the Form and the Contents of Contract Notices and Contract Award Notices (Official Gazette No. 154/07) and Rulebook on the Contents of Tender Documentation (Official Gazette Nos. 19/08 and 162/14).

duration of the exclusion to participate in public procurements to six months from the date of publication of the negative reference.

3.155. The evaluation of tenders shall be conducted only by applying the criteria stated in the tender documentation and published in the contract notice. The new LPP introduced changes in the criteria for awarding contracts. The lowest price is no longer the default valuation method, as mandated in the previous version of the law. Instead, the new Law provides the possibility for quality to be evaluated in addition to price. Hence, to select the most advantageous tender, a contracting authority can determine whether to apply: (i) the lowest cost; (ii) the life-cycling costing approach; or (iii) the best price-to-quality ratio, as a contract award criterion. The latter may include qualitative, environmental and social aspects linked to the subject matter of the procurement.[109]

3.156. The use of e-auctions is no longer mandatory. Experience has shown that, in some cases, the use of this procurement procedure led to bid-rigging between tenderers and to increases in prices in the absence of real competition. In the new LPP, e-auctions are retained but only as an option.

3.157. The contracting authority must notify the tenderers, in writing, of its decision to award the contract, within three days of the adoption of the decision, and to inform unsuccessful tenderers of the reasons why their tenders were rejected. The contracting authority must also publish a contract award notice on the ESPP within 10 days of the conclusion of the relevant contract award procedure.

3.158. The procurement regime does not provide for national preferences. The previous Law stipulated that, in the case of utilities, if, after applying the contract award criteria, two or more tenders were less than three points in range from each other, the contracting authority could select the tender where more than 50% of the supplies originated in North Macedonia, the EU member States, or countries that had concluded an international agreement providing reciprocal treatment to North Macedonian economic operators in their respective markets.[110] This provision was eliminated from the new LPP.

3.159. There are no preferences margins for tenders submitted by small and medium enterprises (SMEs). However, under the previous Law, contracting authorities were required to divide pharmaceutical contracts into lots, so as to facilitate the participation of SMEs in public procurement. Under the new LPP, contracting authorities are encouraged to use this practice across the board, and they must provide justification if they decide not to divide their contract into lots.[111]

3.160. According to data collected by the Public Procurement Bureau, the number of public contracts awarded increased from 20,645 in 2013 to 27,031 in 2017, having reached a peak of 30,168 in 2016 (Table 3.17). In terms of value, however, the amount awarded in 2017 was inferior to the annual values awarded in each of the four previous years, which the authorities attribute in part to the political instability witnessed by the country in that year. As for the type of procurement procedures used, most contracts were awarded through open procedures, accounting on average for over 75% of all contracts awarded each year during the review period. The second most frequently used procedure was the simplified competitive procedure. In 2017, supplies accounted for 48% of the value of contracts awarded, services for 32%, and works for 20%.

**Table 3.17 Number and value[a] of public contracts awarded by type of procurement procedure, 2013-2017**

| Procedure | 2013 | | 2014 | | 2015 | | 2016 | | 2017[b] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. contr. | Value | No. contr. | Value | No. contr. | Value | No. contr. | Value | No. contr. | Value |
| Simplified competitive, up to EUR 5,000 | 7,364 | 1,233.3 | 7,321 | 1,199.8 | 8,327 | 1,199.8 | 8,855 | 1,165.6 | 7,957 | 1,032.3 |
| Simplified competitive, up to EUR 20,000 | 3,268 | 2,362.7 | 5,284 | 2,713.3 | 7,364 | 3,514.1 | 9,123 | 3,994.8 | 7,823 | 3,307.7 |
| Open | 7,109 | 35,691.5 | 7,115 | 47,552.4 | 9,090 | 35,414.0 | 9,838 | 44,607.1 | 9,128 | 28,870.5 |

109 Article 99 of the new LPP.
110 Article 199 of the LPP.
111 Article 78 of the new LPP.

| Procedure | 2013 | | 2014 | | 2015 | | 2016 | | 2017[b] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. contr. | Value | No. contr. | Value | No. contr. | Value | No. contr. | Value | No. contr. | Value |
| Restricted | 7 | 1,209.1 | 3 | 826.0 | 2 | 2,449.1 | 1 | 1,880.2 | 0 | 0.0 |
| Negotiated, with publication | 58 | 3,555.0 | 68 | 1,010.9 | 5 | 640.7 | 34 | 392.6 | 11 | 480.6 |
| Negotiated, without publication | 1,452 | 5,936.3 | 826 | 3,466.5 | 969 | 1,802.3 | 608 | 2,283.3 | 497 | 1,796.5 |
| Qualification system | 22 | 1,887.4 | 48 | 3,136.7 | 19 | 621.5 | 30 | 3,581.7 | 52 | 2,008.1 |
| Non-priority services | 1,365 | 616.3 | 1,273 | 486.5 | 1,616 | 810.1 | 1,679 | 912.8 | 1,563 | 701.3 |
| Total | 20,645 | 52,491.7 | 21,938 | 60,392.1 | 27,392 | 46,451.6 | 30,168 | 58,818.2 | 27,031 | 38,196.8 |

a Value is in MKD million.
b Data on 2017 is provisional.

Source: Information provided by the authorities.

3.161. Table 3.18 shows that the value of the public contracts awarded to foreign suppliers decreased in both absolute and relative terms between 2013 and 2017. Except for 2014, the contracts awarded to foreign operators represented less than 10% of the total value of contracts awarded in each year covered by this review.

### Table 3.18 Value[a] of public contracts awarded to foreign economic operators, 2013-2017

| | 2013 | | 2014 | | 2015 | | 2016 | | 2017[b] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Value | % | Value | % | Value | % | Value | % | Value | % |
| Total contracts awarded | 52.49 | 100.00 | 60.39 | 100.00 | 46.45 | 100.00 | 58.81 | 100.00 | 38.19 | 100.00 |
| To foreign operators | 4.43 | 8.43 | 7.18 | 11.88 | 3.56 | 7.66 | 2.78 | 4.72 | 0.95 | 2.48 |

a Value is expressed in MKD billion.
b Data for 2017 are provisional.

Source: Information provided by the authorities.

3.162. Review procedures are governed by Title VIII of the new LPP (Chapter X of the LPP). Any national or foreign economic operator having a legal interest in the contract award procedure, as well as the Public Procurement Bureau and the State Attorney's Office, may initiate a review procedure before the State Appeals Commission on Government Procurement (SAC).[112] Appeals can be lodged with respect to decisions taken in the different phases of the procurement procedure. The time-limits for lodging an appeal vary according to the procurement procedure used. For example, in the open procedure, an appeal must be lodged within ten days of the date of the decision to be appealed (five days in the case of the simplified open procedure and the small-value procurement procedure). The lodging of an appeal suspends the signing of a public contract and its execution until a final decision is reached.[113]

3.163. The SAC may take several measures to correct breaches of the law, including: stopping a procedure, repealing a decision or cancelling parts of the actions found illegal, annulling the decision and cancelling the whole procedure, and deciding upon compensation for procedural costs. It may also decide on the application of interim measures, and impose fines. Generally, the SAC must adopt a decision within 15 days of the date of submission of the documentation for the appeal. An administrative dispute against a decision of the SAC may be initiated before the Administrative Court within 30 days.

3.164. Between 2013 and 2017, the SAC received a total of 3,069 appeals relating to government procurement procedures, and solved 2,975 cases (Table 3.19). Data for the period under review shows a downward trend in the number of appeals lodged since 2015. On average, in 37% of the

[112] The SAC is also competent to resolve appeals in contract award procedures for concessions and public-private partnerships.
[113] However, the contracting authority may request the SAC to approve the continuation of the contract award procedure before the final decision is taken if disproportionate damage could be caused if the procedure was not conducted.

appeals solved each year, the SAC found the appeals to be founded; this percentage reached over 40% in 2016 and 2017. Unfounded appeals accounted for, on average, a third of all solved appeals during the period under review. In 2017, a total of 561 appeals were submitted to the SAC, and 548 appeals were solved. In the same year, 86 lawsuits were filed at the Administrative Court against decisions adopted by the SAC.

**Table 3.19 Appeals lodged before the State Appeals Commission, 2013-2017**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Total number of appeals lodged** | **605** | **654** | **626** | **623** | **561** |
| Accepted appeals (i.e. founded) | 178 | 190 | 238 | 271 | 235 |
| Unfounded appeals | 263 | 327 | 269 | 221 | 206 |
| Rejected appeals (due to formal reasons) | 83 | 71 | 61 | 44 | 57 |
| Appeals accepted by the contracting authority[a] | 20 | 26 | 25 | 42 | 27 |
| Withdrawn appeals (by the appellant) | 29 | 24 | 17 | 28 | 23 |
| Solved appeals | 573 | 638 | 610 | 606 | 548 |

a In such cases, the contracting authority informs the SAC that it finds the appeal to be founded and will correct the alleged irregularities.

Note The discrepancy between the number of lodged appeals and solved appeals comes from the fact that some appeals are lodged at the end of the year and are solved in the following year.

Source: Information provided by the authorities.

3.165. In the past few years, assessments of North Macedonia's public procurement system by both domestic and international sources identified areas for further improvement, such as the need to: strengthen the administrative and oversight capacity of the PPB; increase the cooperation among government entities involved in aspects related to public procurement; improve transparency and strengthen internal auditing; devise tools to reduce the risk of corrupt practices; and reinforce investigation of irregularities related to public procurement.[114] Some of these issues were addressed in the new LPP.

### 3.3.8 Intellectual property rights

3.166. North Macedonia's legal framework on intellectual property rights (IPRs) is quite comprehensive and, as in other spheres, it has progressively been aligned with EU legislation. It includes, principally, the Law on Industrial Property[115] and its regulations (covering patents, trademarks, industrial designs, appellations of origin, and geographical indications); the Law on Protection of Topographies of Integrated Circuits[116]; the Law on Copyright and Related Rights[117]; the Law on General Administrative Procedures[118]; the Law on Customs Measures for the Enforcement of Protection of IPRs[119]; and the Law on Breeders' Rights.[120] While there were no fundamental changes to the IPR legal regime during the review period, there were two significant additions: the Law on Customs Measures for the Enforcement of Protection of IPRs (based on EU Regulation No. 608/2013), which stipulates the conditions and procedures for Customs to take action with respect to goods suspected of infringing IPRs, and the Rulebook on the form and content for the request by right-holders for Customs to take action and for extending the period of such action (based on EU Regulation No. 1352/2013).[121]

[114] Public Procurement Bureau Annual Report 2016; and European Commission, Commission Staff Working Document, *The former Yugoslav Republic of Macedonia*, SWD (2018), 154 final, Strasbourg, 2018, pp. 57-59.
[115] Official Gazette No. 21/09 and amendments published in Official Gazette Nos. 24/11, 12/14, 41/14, 152/15, 53/16, and 83/18.
[116] Official Gazette No. 06/98 and amendments in Official Gazette Nos. 33/06, and 136/11.
[117] Official Gazette No. 115/10 and amendments in Official Gazette Nos. 140/10, 51/11, 147/13, 154/15, and 27/16.
[118] Official Gazette No. 124/15.
[119] Official Gazette Nos. 88/15, 154/15, 192/15, and 23/16.
[120] Official Gazette No. 104/11.
[121] Official Gazette No. 106/15.

3.167. The TRIPs Council of the WTO reviewed the intellectual property (IP) legislation of North Macedonia in 2004.[122] The country accepted the Protocol Amending the TRIPS Agreement on 16 March 2010.[123]

3.168. North Macedonia is a member of the World Intellectual Property Organization (WIPO) since 1993, and a signatory to numerous WIPO-administered treaties and other IP-related treaties (Table 3.20). The country is also a member of the European Patent Organization, and takes part in the European Patent Convention.

### Table 3.20 Selected WIPO and IP-related treaties in force in North Macedonia, 2019

| Treaty | Entry into force |
|---|---|
| Paris Convention for the Protection of Industrial Property | 8 September 1991 |
| Berne Convention for the Protection of Literary and Artistic Works | 8 September 1991 |
| Madrid Agreement Concerning the International Registration of Marks | 8 September 1991 |
| Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks | 8 September 1991 |
| Locarno Agreement Establishing an International Classification for Industrial Designs | 8 September 1991 |
| Convention Establishing the World Intellectual Property Organization | 8 September 1991 |
| Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite | 17 November 1991 |
| Patent Cooperation Treaty | 10 August 1995 |
| Hague Agreement Concerning the International Registration of Industrial Designs | 18 March 1997 |
| Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations | 2 March 1998 |
| Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms | 2 March 1998 |
| Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks | 30 August 2002 |
| Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure | 30 August 2002 |
| Strasbourg Agreement Concerning the International Patent Classification | 30 May 2003 |
| WIPO Copyright Treaty | 4 February 2004 |
| WIPO Performance and Phonograms Treaty | 20 March 2005 |
| Patent Law Treaty | 22 April 2010 |
| Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks | 26 May 2010 |
| Singapore Treaty on the Law of Trademarks | 6 October 2010 |
| Lisbon Agreement for the Protection of Appellations of Origin and their International Registration | 6 October 2010 |
| International Convention for the Protection of New Varieties of Plants (UPOV) | 4 May 2011 |
| Optional Protocol to the Convention on the Rights of Persons with Disabilities | 28 January 2012 |
| Nairobi Treaty on the Protection of the Olympic Symbol | 27 June 2014 |

Source: WIPO online information. Viewed at: https://wipolex.wipo.int/en/legislation/profile/MK.

3.169. Several institutions are involved in the implementation and enforcement of IP legislation in North Macedonia. They include the following[124]:

- State Office of Industrial Property (SOIP): is responsible for formulating and implementing industrial property rights, i.e. patents, trademarks, industrial designs, topographies of integrated circuits, appellations of origin, and geographical indications;
- Copyright Unit within the Ministry of Culture: administers the protection of copyright and other related rights, including the supervision of collective management organizations;
- State Market Inspectorate: is responsible for monitoring markets and preventing the sale of pirated and counterfeit goods;

[122] WTO document IP/Q/MKD/1, 3 June 2005.
[123] WTO document WT/Let/671, 19 March 2010.
[124] Other institutions involved in policy formulation, promotion or implementation of IPRs include: the Ministry of Justice, the Academy of Judges and Public Prosecutors, the Public Prosecutor's Office, the Supreme Court, the Administrative Court, the Fund for Innovation and Technology Development, the Ministry of Education and Science, universities, the Association of Intellectual Property Agents, and industry and trade chambers. The National Strategy on Industrial Property 2016-2018 spells out their respective functions.

- Customs Administration: is empowered to investigate cases of counterfeit goods and pre-emptively seize suspect goods. It can act *ex officio* or after receiving a formal request from the right-owner;

- Ministry of Economy: approves the policies and programmes for the promotion and protection of IPRs, and for improving competitiveness and innovation of Macedonian enterprises; monitors the implementation of the National Strategy on IP;

- Ministry of the Interior: has the authority to prevent the violation of copyright on the market, and is responsible for dealing with IPR-related crimes in the digital environment;

- Directorate for Seeds and Seedling Materials under the Ministry of Agriculture, Forestry and Water Management: is in charge of the protection of new plant varieties and geographical indications on agricultural products;

- Coordination Body for Intellectual Property: provides a coordinated approach to IP policy and enforcement; organizes inter-agency raids to seize counterfeit goods; and conducts campaigns to raise public awareness on the benefits of protecting IPRs.

3.170. The Law on Industrial Property and its by-laws regulate the acquisition, exercise and protection of patents, industrial designs, trademarks, appellations of origin, and geographical indications.[125] It includes dedicated provisions on security and provisional measures, judicial protection, additional protection for well-known marks, compulsory licensing, and parallel imports.[126] It also incorporates the MFN, national treatment and transparency principles.

3.171. Trademark protection requires formal registration with the Registry of Trademarks, managed by the SOIP. Domestic and foreign individuals and legal entities may register rights, but foreigners must be represented by an authorized representative registered with the SOIP. Registration of foreign trademarks is done through filing either a domestic application with the SOIP or an international application through WIPO's Madrid Agreement. In 2018, the total number of trademark applications was 8,367, of which 7,524 were for foreign trademarks (Table 3.21). It is worth noting that the number of trademarks granted in the years 2016 to 2018 was significantly higher than in the period 2013-2015.

**Table 3.21 Trademark statistics, 2013-2018**

| Year | Domestic | Foreign applications | | | | Total by Madrid Agreement /Protocol | Total foreign | Total | Granted |
|---|---|---|---|---|---|---|---|---|---|
| | | To SOIP | By Madrid Agreement/Protocol | | | | | | |
| | | | New | Subsequent designations | Cont. of effect | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6=3+4+5 | 7=6+2 | 8=7+1 | 9 |
| **2013** | 739 | 514 | 2,797 | 560 | 0 | 3,357 | 3,871 | 4,610 | 840 |
| **2014** | 851 | 587 | 2,364 | 666 | 0 | 3,030 | 3,617 | 4,468 | 840 |
| **2015** | 815 | 539 | 2,757 | 431 | 0 | 3,188 | 3,727 | 4,542 | 614 |
| **2016** | 782 | 487 | 2,853 | 468 | 4,028 | 7,349 | 7,836 | 8,618 | 1,112 |
| **2017** | 780 | 488 | 2,619 | 432 | 3,923 | 6,974 | 7,462 | 8,242 | 1,777 |
| **2018** | 843 | 474 | 2,570 | 438 | 4,052 | 7,050 | 7,524 | 8,367 | 1,511 |

Source: Information provided by the authorities.

3.172. Pursuant to the Law on Industrial Property, the owner of a registered mark has the exclusive right to prevent third parties from using identical or similar signs for the same or similar goods or services, if such use would likely result in confusion. Trademarks are protected for a period of ten

[125] Regulation for Patents (Official Gazette No. 92/09), Regulation for Industrial Designs (Official Gazette No. 92/09), Regulation for Trademarks (Official Gazette Nos. 92/09 and 177/18), and Regulation for Appellations of Origin and Geographical Indications (Official Gazette No. 18/04).

[126] Compulsory licensing is regulated in Articles 97-115, and parallel imports in Articles 171 and 209.

years, which can be renewed indefinitely. Trademark owners must use their trademarks to maintain their validity.

3.173. Patents are registered with the SOIP in accordance with the procedure stipulated in the Law on Industrial Property. Foreign applications for patent protection may be submitted through WIPO's Patent Cooperation Treaty, the European Patent Office (EPO) (for extensions) or the SOIP. In 2018, 2,120 foreign patent applications were received, compared to 32 domestic applications (Table 3.22).

3.174. Patents may be granted for inventions in all technology fields, provided they are: new, involve an inventive step, and are susceptible of industrial application. A patent has a validity of 20 years and may be extended. However, this extension cannot be for a period of more than five years if the subject matter of the patent is a medical product, a product for plant protection or a process through which these are produced, for which, prior to placing it on the market, an administrative procedure of authorization, prescribed by law, must be conducted.[127]

### Table 3.22 Patent statistics, 2013-2018

| Year | Domestic | Foreign applications, national phase | | | Total SOIP[c] | Decisions granted |
|---|---|---|---|---|---|---|
| | | PCT[a] | EPO[b] extension | SOIP[c] | | |
| | 1 | 2 | 3 | 4 | 5=1+4 | 6 |
| **2013** | 42 | 4 | 495 | 499 | 541 | 378 |
| **2014** | 29 | 0 | 544 | 544 | 573 | 116 |
| **2015** | 31 | 1 | 687 | 688 | 719 | 884 |
| **2016** | 49 | 7 | 887 | 894 | 943 | 678 |
| **2017** | 52 | 3 | 948 | 951 | 1,003 | 938 |
| **2018** | 32 | 2 | 1,058 | 1,060 | 1,092 | 1,277 |

a Patent Cooperation Treaty.
b European Patent Office.
c State Office of Industrial Property.

Source: Information provided by the authorities.

3.175. During the period under review, the Government adopted the National Strategy on Industrial Property 2016-2018. Its overall aims are to guarantee a level of IPR protection similar to that of the European Union, to permanently harmonize it with all international obligations and agreements concluded by North Macedonia in this field, and to help develop an efficient IP system as a backbone for economic growth. The Strategy's specific objectives are: to improve the industrial property legislative framework; to strengthen IPR enforcement; to develop right-holders' capacity to protect IPR; and to increase public awareness of the benefits of IPR protection.[128] Given that the Strategy was only adopted in October 2017, the period of implementation of the Strategy's Action Plan was extended until end-2019. The activities carried out so far include staff training, an analysis of the services offered by the SOIP, and a national campaign to raise the awareness of SMEs and the public at large of the need to protect and enforce IPRs.

3.176. The SOIP is engaged in technical cooperation activities at regional and international levels, notably with the EPO and WIPO. Under a bilateral cooperation agreement with the EPO for 2013-2015, several activities were carried out, such as the search and examination of European patent applications, the implementation of a new domestic patent register, and the development of an online filing system of patent applications, which is still in process. A new cooperation agreement with the EPO was concluded for the period 2016-2018. Cooperation schemes with individual European patent agencies are also in place, such as the Twinning project with the Danish Patent Office, which focuses on strengthening the capacities of the SOIP and the Customs Administration to enforce IPRs.

3.177. The Law on Copyright and Related Rights (2010) regulates the rights of authors, artists, performers, phonogram producers, video/film producers, broadcasting organizations, publishers, and database developers. Computer programs are protected as copyright works. Copyrights are not registered. The Ministry of Culture is in charge of administering the protection of copyrights and related rights. Equal protection is granted to domestic and foreign holders of copyright and related

[127] Article 74 of the Law on Industrial Property, Official Gazette No. 21/2009.
[128] The National Strategy was adopted on 10 October 2017. Viewed at: http://ippo.gov.mk/docs/xFiles/xfile/1020/db160552-cbba-4ea0-a2ea-61be2f750290.pdf.

rights. Economic rights are valid during the author's lifetime and for 70 years after his/her death, unless otherwise provided under the Law. An author's moral right to withdraw his/her work is valid during the author's lifetime; other moral rights are perpetual. The breach of copyright is considered a criminal offence and, under certain circumstances, a misdemeanour, and it is subject to administrative, civil and criminal remedies.

3.178. The Law on Copyright and Related Rights was amended in 2016 to regulate the functioning of the collective management of rights and fee distribution, and to eliminate a cap on right-holders' remuneration. Also, recently, the Minister of Culture adopted a Decision to grant a licence for the collective management of rights of audiovisual works to the Association for the Protection of Copyrights and Related Rights "AZAS", Skopje.[129] The small Copyright Unit within the Ministry of Culture would benefit from the adoption of measures to strengthen its capacity, and resources to administer the copyright system.

3.179. Under the 2015 Law on Customs Measures for the Enforcement of Protection of IPRs, customs officers have the authority to order the temporary seizure of goods if, during a customs procedure, there is a grounded suspicion that those goods infringe an IPR. Temporarily-seized goods may be ordered for destruction if the right-holder confirms that they infringe an IPR, or they can be released for free circulation where there is no infringement.

3.180. Right-holders, national or foreign, are entitled to request the customs authority to take action against goods suspected of IPR infringement. The Department for Non-Tariff Measures and Protection of Intellectual Property within the Customs Administration is responsible for receiving and acting upon such requests. Between 2013 and 2018, said Department received 1,001 requests for customs action related to trademarks (991 as at end-September 2018). During the same period, the Customs Administration undertook 702 actions, temporarily seizing 272,830 units, about which there was a reasonable suspicion of IPR infringement (87,947 in the period January-September 2018). The main types of goods seized were: cosmetic products (35%), textiles and clothing (23%), footwear (16%), and other products (26%). The total declared valued of the seized goods was about MKD 25.5 million (an estimated MKD 258.5 million, had the goods been released and sold on the domestic market as original goods). Upon confirmation of IPR infringement by the right-holders, 1,203,384 pieces of counterfeit goods were destroyed (3,254 pieces between January and September 2018).[130] Penalties for IPR infringement include from 30 to 60 days closure of businesses, monetary fines of up to EUR 5,000, or prison of up to five years.

3.181. Although North Macedonia has a sound legal framework for the protection of IPRs, the enforcement of these rights through the court system remains a challenge, since there are no specialized courts to handle IPR cases, and prosecutors and judges lack adequate experience.[131] Another challenge is the absence of reliable statistics, which makes it difficult to measure the extent of IPR infringements.[132] A methodology for collecting and processing data on IPR infringements was developed and is in the process of being improved; however, no data has been published yet. There is also a project for developing an e-network, where a module for collecting and processing data pursuant to the methodology is envisaged. It is expected that this will ease the collection and publication of data from the national institutions that participate in IPR enforcement. Other areas where there seems to be room for improvement are the coordination of IPR enforcement bodies, and the need to increase public awareness of the importance of IPR protection. The International Property Rights Index (IPRI) ranked North Macedonia 68$^{th}$ (out of 125) for its Intellectual Property Protection score in 2017, compared to 61$^{st}$ in 2013 (there was insufficient data to update the country's ranking for the 2018 IPRI).[133]

[129] Official Gazette No. 203/2018, 8 November 2018.

[130] Data in this paragraph were provided by the authorities.

[131] Courts with jurisdiction in IPR-related cases are the basic courts of first instance, the courts of appeal, and the Supreme Court.

[132] European Commission, *Commission Staff Working Document, The former Yugoslav Republic of Macedonia,* SWD (2018), 154 final, Strasbourg, 17 April 2018, p. 60. Viewed at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

[133] The Property Rights Alliance, *2017 International Property Rights Index*. Viewed at: https://www.internationalpropertyrightsindex.org/country/macedonia.

# 4 TRADE POLICIES BY SECTOR

## 4.1 Agriculture, Forestry, and Fisheries

### 4.1.1 Features and market development

4.1. Agriculture remains an important activity for North Macedonia's economy. Its share (including forestry and fisheries) in total employment declined in recent years, as has its share in GDP (Table 4.1). In 2018, the sector accounted for 8.4% of GDP and for 15.7% of employment.

**Table 4.1 Gross value added (GVA) and employment in the agriculture, forestry, hunting and fishery sector, 2010-18**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| GVA (at current prices, million euro) | 718.9 | 705.9 | 690.6 | 817.0 | 871.6 | 882.7 | 885.0 | 789.5 | 777.4 |
| Share in GVA of all activities (%) | 11.7 | 10.9 | 10.5 | 11.5 | 11.7 | 11.1 | 10.6 | 9.1 | 8.4 |
| Share in total employment (%) | 19.1 | 18.7 | 17.3 | 18.7 | 18.5 | 17.9 | 16.6 | 16.2 | 15.7 |

Source: State Statistical Office, MakStat database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

4.2. Agriculture's contribution to the economy is even higher when combined with the agricultural processing industry (including beverages and tobacco), which accounts for an additional 3% of GDP, and 2% to 3% of employment, depending on the year. As most of the territory is hilly and/or mountainous, with an average elevation of 850 metres above sea level, a substantial part of the land is dedicated to agro-pastoral and forestry activities. Intensive agriculture is concentrated in the ten main valleys.

4.3. Throughout this Section, agricultural products are defined according to Annex 1 of the WTO Agreement on Agriculture. Table 4.2 gives the area devoted to the main crops, their production and yield, from 2010 to 2017. Table 4.3 gives information on the livestock herds for the same years.

**Table 4.2 Crops: area, production and yield, 2010-17**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **I - AREA OF PRODUCTION** ('000 ha) | | | | | | | | |
| Total grains | 163.4 | 161.3 | 161.0 | 166.4 | 161.0 | 159.4 | 165.4 | 159.4 |
| of which: | | | | | | | | |
| - *wheat* | 80.0 | 79.0 | 79.7 | 81.8 | 76.9 | 74.0 | 79.9 | 73.0 |
| - maize | 28.7 | 29.4 | 29.2 | 31.0 | 30.5 | 31.8 | 31.1 | 31.4 |
| Oilseeds | 4.1 | 5.7 | 3.8 | 2.5 | 5.1 | 5.6 | 4.0 | 4.1 |
| Potatoes | 13.4 | 13.8 | 13.2 | 13.5 | 13.2 | 13.4 | 13.3 | 13.2 |
| Grapes (total) | 20.0 | 20.0 | 20.0 | 21.1 | 22.7 | 22.9 | 23.2 | 23.4 |
| Fruit (total orchards) | 14.0 | 14.0 | 15.0 | 14.0 | 15.0 | 16.0 | | |
| Vegetables (total) | 32.1 | 31.4 | 31.5 | 32.1 | 32.9 | 33.0 | 32.7 | 32.6 |
| Other: | | | | | | | | |
| - Tobacco | 20.3 | 19.7 | 19.6 | 19.2 | 17.8 | 16.1 | 16.4 | 16.0 |
| - Beans | 13.3 | 13.6 | 13.8 | 13.5 | 13.6 | 13.6 | 13.6 | 13.2 |
| - Fodder | 27.5 | 27.2 | 26.9 | 27.8 | 29.1 | 30.1 | 31.5 | 31.9 |
| **II – PRODUCTION** ('000 t) | | | | | | | | |
| Total grains | 538.5 | 551.6 | 456.8 | 557.6 | 625.9 | 480.6 | 637.8 | 444.9 |
| of which: | | | | | | | | |
| - *wheat* | 243.1 | 256.1 | 215.0 | 259.0 | 288.0 | 201.2 | 306.4 | 200.1 |
| - maize | 129.0 | 126.1 | 115.9 | 131.0 | 136.9 | 133.8 | 143.8 | 120.2 |
| Oilseeds | 7.6 | 8.5 | 4.8 | 3.8 | 9.3 | 8.5 | 6.3 | 6.2 |
| Potatoes | 200.1 | 192.7 | 168.9 | 189.6 | 198.9 | 189.4 | 197.1 | 177.7 |
| Grapes (total) | 253.4 | 235.1 | 277.4 | 292.1 | 195.9 | 324.8 | 333.3 | 180.3 |
| Fruit (total) | 199.7 | 200.6 | 203.6 | 196.5 | 171.8 | 225.5 | 177.6 | 93.7 |
| Vegetables (total) | 722.3 | 655.6 | 655.2 | 662.9 | 752.4 | 820.8 | 784.0 | 747.9 |

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Other: | | | | | | | | |
| - Tobacco | 30.3 | 26.5 | 28.6 | 27.9 | 27.6 | 24.2 | 25.4 | 22.9 |
| - Beans | 14.2 | 13.0 | 11.0 | 11.4 | 13.4 | 13.4 | 13.0 | 10.0 |
| - Fodder | 210.5 | 201.6 | 178.5 | 196.6 | 245.9 | 253.9 | 330.0 | 257.8 |
| **III - AVERAGE YIELD** (t/ha) | | | | | | | | |
| Wheat | 3.0 | 3.2 | 2.7 | 3.2 | 3.7 | 2.7 | 3.8 | 2.7 |
| Maize | 4.5 | 4.3 | 4.0 | 4.2 | 4.5 | 4.2 | 4.6 | 3.8 |
| Potatoes | 14.9 | 14.0 | 12.8 | 14.1 | 15.1 | 14.2 | 14.9 | 13.5 |
| Grapes | 12.7 | 11.8 | 13.9 | 13.8 | 8.6 | 14.2 | 14.4 | 7.7 |

Source: State Statistical Office, Statistical Yearbooks.

4.4. The overall area dedicated to grain production and the volume of that production declined.[1].Tobacco, a major local product, also saw its area and production decline. The area and production of fodder and more labour-intensive products, such as vegetables, increased notably. Those of grapes and fruit also increased greatly. However, extreme weather conditions saw a downturn for grapes in 2017, and for fruit in 2016 and 2017 (Table 4.2).

4.5. Livestock products are undergoing a similar evolution, with the total number of cattle declining and the number of milk cows and pigs increasing (Table 4.3).

### Table 4.3 Livestock: herd size, 2010-17

('000)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Cattle | 260 | 265 | 251 | 238 | 242 | 253 | 255 | 255 |
| *of which* cows and heifers in calf | 135 | 165 | 161 | 154 | 155 | 157 | 161 | 154 |
| *of which* milk cows | 119 | 133 | 123 | 129 | 127 | 128 | 132 | 137 |
| Pigs | 191 | 197 | 177 | 167 | 165 | 195 | 203 | 202 |
| *of which* breeding sows | 28 | 24 | 24 | 24 | 21 | 19 | 25 | 24 |
| Sheep and goats | 778 | 767 | 732 | 732 | 740 | 734 | 723 | 725 |
| *of which* breeding ewes/goats | 568 | 545 | 521 | 531 | 531 | 581 | 556 | |
| Horses | 27 | 25 | 22 | 21 | 19 | 19 | 19 | 18 |
| Poultry | 1,995 | 1,944 | 1,776 | 2,202 | 1,940 | 1,761 | 1,866 | 1,840 |
| Beehives | 76 | 65 | 53 | 68 | 74 | 74 | 81 | 75 |

Source: State Statistical Office.

### Table 4.4 Value of production, 2012-16

(EUR million)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Cereals | 103.5 | 125.1 | 129.0 | 94.3 | 103.3 |
| Industrial crops | 83.4 | 81.8 | 82.6 | 72.2 | 75.0 |
| Forage plants | 65.5 | 82.4 | 84.8 | 93.7 | 106.7 |
| Vegetables | 418.9 | 418.0 | 463.7 | 470.4 | 446.3 |
| Potatoes | 31.8 | 59.2 | 54.8 | 44.4 | 40.9 |
| Fruit | 131.7 | 139.1 | 114.9 | 151.4 | 148.3 |
| Wine | 38.1 | 51.0 | 43.9 | 64.3 | 50.6 |
| **Total crop output** | **872.9** | **956.5** | **973.7** | **990.7** | **971.1** |
| Animals | 134.8 | 131.7 | 123.7 | 136.7 | 137.2 |
| Animal products | 158.3 | 169.3 | 175.9 | 170.7 | 183.9 |
| **Total animal output** | **293.1** | **301.0** | **299.6** | **307.4** | **321.1** |
| **Total agricultural goods output** | **1,166.0** | **1,257.5** | **1,273.4** | **1,298.1** | **1,292.2** |

Source: Information provided by the authorities.

4.6. The value of production increased between 2012 and 2016 in many categories of agricultural goods output (Table 4.4). The majority of farms are small family farms, with an average size of 1.85 ha in 2015; and they are fragmented, with an average of five non-contiguous parcels. There are a large number of small subsistence farms; it is reported that many agricultural livestock farms

[1] The wheat area decreased, while the area of maize increased.

and food processing facilities do not yet meet relevant EU standards.[2] The sector also faces many other challenges, including an ageing, declining and relatively unskilled labour force, low use of agricultural machinery, a lack of commercial financing and investment, a lack of cooperatives and collective structures, and a low level of innovation and technology transfer due to high costs of research and limited market opportunities. As explained below, the national agricultural strategy and the EU Pre-Accession Assistance for Rural Development (IPARD) programme are targeted at tackling these impediments.

4.7. North Macedonia exhibits a structural and growing trade deficit for agri-food products (Table 4.5). The share of agri-food exports in total exports declined significantly, and the share of agri-food imports in total imports also declined, but at a slower pace.

### Table 4.5 Trade in agricultural products, 2010-18

(EUR million)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Agricultural exports | 416.1 | 461.1 | 473.5 | 499.5 | 483.0 | 485.8 | 530.7 | 534.1 | 541.3 |
| % of total exports | 16.4 | 14.3 | 15.2 | 15.4 | 12.9 | 11.9 | 12.1 | 10.6 | 9.2 |
| Agricultural imports | 516.2 | 601.4 | 661.0 | 636.9 | 629.9 | 680.7 | 699.5 | 740.1 | 768.5 |
| % of total imports | 12.5 | 11.9 | 13.0 | 12.8 | 11.4 | 11.7 | 11.3 | 10.8 | 10.0 |
| Trade balance | -100.1 | -140.2 | -187.5 | -137.4 | -146.9 | -194.9 | -168.8 | -206.0 | -227.3 |
| Export/import ratio | 80.6 | 76.7 | 71.6 | 78.4 | 76.7 | 71.4 | 75.9 | 72.2 | 70.4 |

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 3, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20) plus some selected products (HS 2905.43, 2905.44, 2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, 5301, and 5302).

Source: State Statistical Office, MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

4.8. In 2018, the main agricultural exports at the HS two-digit level were tobacco (23.7%, mostly unmanufactured), preparations of cereals, flour, starch or milk (12.8%, of which bread, pastry, cakes, biscuits and other bakers' wares 11.3%), beverages (12.3%), edible vegetables and certain roots and tubers (10.3%), and preparations of vegetables, fruits, nuts or other parts of plants (9.2%) (Table 4.6). The relative shares of these products in total agricultural exports all increased compared to 2010, except for edible vegetables.

### Table 4.6 Agricultural exports by products (HS code), 2010, 2012, 2014, and 2016-18

(EUR million)

| Product description (at the HS2- and 4-digit levels) | 2010 | 2012 | 2014 | 2016 | 2017 | 2018 | Share in 2010 (%) | Share in 2018 (%) |
|---|---|---|---|---|---|---|---|---|
| **Total agricultural exports** | **416.1** | **473.5** | **483.0** | **530.7** | **534.1** | **541.3** | | |
| % of total exports | 16.4 | 15.2 | 12.9 | 12.1 | 10.6 | 9.2 | | |
| HS 24 Tobacco and manufactured tobacco substitutes | 93.5 | 114.5 | 109.5 | 118.6 | 139.2 | 128.4 | 22.5 | 23.7 |
| HS 2401 Unmanufactured tobacco; tobacco refuse | 72.3 | 95.1 | 95.7 | 106.9 | 124.2 | 117.3 | 17.4 | 21.7 |
| HS 19 Preparations of cereals, flour, starch or milk | 33.6 | 40.0 | 52.6 | 61.9 | 66.2 | 69.5 | 8.1 | 12.8 |
| HS 1905 Bread, pastry, cakes, biscuits and other bakers' wares | 31.8 | 37.0 | 46.7 | 55.2 | 59.1 | 61.1 | 7.6 | 11.3 |
| HS 22 Beverages, spirits and vinegar | 60.6 | 71.4 | 59.1 | 59.7 | 59.3 | 66.3 | 14.6 | 12.3 |
| HS 2204 Wine of fresh grapes | 38.5 | 56.1 | 48.3 | 47.9 | 46.4 | 51.0 | 9.3 | 9.4 |
| HS 07 Edible vegetables and certain roots and tubers | 66.2 | 51.3 | 69.1 | 68.6 | 60.0 | 55.7 | 15.9 | 10.3 |
| HS 20 Preparations of vegetables, fruits, nuts or other parts of plants | 31.7 | 34.8 | 42.1 | 47.0 | 47.6 | 49.6 | 7.6 | 9.2 |
| HS 2005 Other vegetables, prepared or preserved | 13.3 | 16.4 | 20.3 | 24.2 | 26.1 | 27.9 | 3.2 | 5.1 |
| HS 08 Edible fruit and nuts; peel of citrus fruit or melons | 39.6 | 50.7 | 47.3 | 56.3 | 42.6 | 40.6 | 9.5 | 7.5 |

[2] *EU Instrument for Pre-Accession (IPA) Rural Development Program, 2014-2020 (final)*, December 2014, pp. 42 and 48. Viewed at: http://www.sep.gov.mk/data/file/IPA-2014-2020/IPARD%20ProgrammeMK_13022015_final.pdf.

| Product description (at the HS2- and 4-digit levels) | 2010 | 2012 | 2014 | 2016 | 2017 | 2018 | Share in 2010 (%) | Share in 2018 (%) |
|---|---|---|---|---|---|---|---|---|
| HS 21 Miscellaneous edible preparations | 13.5 | 15.5 | 17.3 | 20.8 | 22.8 | 26.2 | 3.2 | 4.8 |
| HS 06 Live trees and other plants | 2.7 | 4.0 | 4.4 | 12.1 | 14.7 | 15.8 | 0.6 | 2.9 |
| HS 16 Preparations of meat, of fish or of crustaceans | 10.8 | 13.4 | 13.1 | 9.9 | 11.0 | 14.6 | 2.6 | 2.7 |
| HS 18 Cocoa and cocoa preparations | 8.4 | 8.1 | 8.9 | 10.0 | 10.8 | 11.4 | 2.0 | 2.1 |
| HS 1806 Chocolate and other food preparations containing cocoa | 6.9 | 7.3 | 8.6 | 9.7 | 10.5 | 11.0 | 1.7 | 2.0 |
| **Top 10 at HS 2-digit level** | **360.4** | **403.7** | **423.4** | **465.0** | **474.2** | **478.1** | | |
| % of total agricultural exports[a] | 86.6 | 85.3 | 87.7 | 87.6 | 88.8 | 88.3 | | |

a According to 2018 data at the HS 2-digit level.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 3, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20) plus some selected products (HS 2905.43, 2905.44, 2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, 5301, and 5302).

Source: State Statistical Office, MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

4.9. The main import products in 2018 were meat (14.6%, of which poultry 6.0% and swine 3.8%), miscellaneous edible preparations (9.7%), dairy products (7.0%), animal or vegetable fats and oils and their products (6.6%), and preparations of cereals, flour, starch or milk; pastry cooks' products (6.7%) (Table 4.7).

### Table 4.7 Agricultural imports by product (HS code), 2010, 2012, 2014, and 2016-18

(EUR million)

| Product description (at the HS2- and 4-digit levels) | 2010 | 2012 | 2014 | 2016 | 2017 | 2018 | Share in 2010 (%) | Share in 2018 (%) |
|---|---|---|---|---|---|---|---|---|
| **Total agricultural imports** | **516.2** | **661.0** | **629.9** | **699.5** | **740.1** | **768.5** | | |
| % of total imports | 12.5 | 13.0 | 11.4 | 11.3 | 10.8 | 10.0 | | |
| HS 02 Meat and edible meat offal | 80.1 | 105.9 | 98.5 | 94.7 | 107.0 | 112.2 | 15.5 | 14.6 |
| HS 0207 Meat and edible offal, of poultry, fresh, chilled or frozen | 30.9 | 47.2 | 45.9 | 40.3 | 47.9 | 45.8 | 6.0 | 6.0 |
| HS 0203 Meat of swine, fresh, chilled or frozen | 20.9 | 26.2 | 23.7 | 23.4 | 26.5 | 28.9 | 4.1 | 3.8 |
| HS 21 Miscellaneous edible preparations | 46.4 | 54.2 | 54.6 | 61.9 | 67.6 | 74.6 | 9.0 | 9.7 |
| HS 2106 Food preparations not elsewhere specified or included | 27.0 | 29.1 | 31.1 | 35.1 | 38.8 | 43.3 | 5.2 | 5.6 |
| HS 04 Dairy products | 29.0 | 37.8 | 38.9 | 41.8 | 45.9 | 53.9 | 5.6 | 7.0 |
| HS 0406 Cheese and curd | 8.8 | 10.2 | 12.9 | 15.7 | 18.5 | 20.5 | 1.7 | 2.7 |
| HS 19 Preparations of cereals, flour, starch or milk; pastry cooks' products | 32.5 | 33.8 | 39.1 | 44.5 | 47.1 | 51.6 | 6.3 | 6.7 |
| HS 1905 Bread, pastry, cakes, biscuits and other bakers' wares | 20.8 | 20.2 | 24.7 | 28.5 | 30.5 | 33.8 | 4.0 | 4.4 |
| HS 15 Animal or vegetable fats and oils and their products | 43.8 | 66.6 | 47.8 | 59.1 | 50.2 | 50.9 | 8.5 | 6.6 |
| HS 1512 Sunflower-seed, safflower or cotton-seed oil and fractions thereof | 28.1 | 43.5 | 27.9 | 39.6 | 27.8 | 28.1 | 5.4 | 3.7 |
| HS 18 Cocoa and cocoa preparations | 30.6 | 31.7 | 33.9 | 40.8 | 42.2 | 44.8 | 5.9 | 5.8 |
| HS 1806 Chocolate and other food preparations containing cocoa | 24.5 | 25.7 | 28.0 | 33.4 | 34.6 | 37.2 | 4.7 | 4.8 |
| HS 08 Edible fruit and nuts; peel of citrus fruit or melons | 24.4 | 28.2 | 34.9 | 40.4 | 42.2 | 43.6 | 4.7 | 5.7 |
| HS 22 Beverages, spirits and vinegar | 25.5 | 29.7 | 29.0 | 35.3 | 38.3 | 42.0 | 4.9 | 5.5 |
| HS 2202 Waters | 13.8 | 16.8 | 16.3 | 19.3 | 20.6 | 22.2 | 2.7 | 2.9 |

| Product description (at the HS2- and 4-digit levels) | 2010 | 2012 | 2014 | 2016 | 2017 | 2018 | Share in 2010 (%) | Share in 2018 (%) |
|---|---|---|---|---|---|---|---|---|
| HS 24 Tobacco and manufactured tobacco substitutes | 18.6 | 28.5 | 26.0 | 38.5 | 37.6 | 40.8 | 3.6 | 5.3 |
| HS 17 Sugars and sugar confectionery | 45.3 | 49.9 | 36.7 | 44.0 | 45.7 | 37.1 | 8.8 | 4.8 |
| HS 1701 Cane or beet sugar | 37.0 | 39.8 | 26.7 | 33.6 | 33.8 | 25.4 | 7.2 | 3.3 |
| **Top 10 at HS 2-digit level[a]** | **376.2** | **466.4** | **439.3** | **501.1** | **524.2** | **551.6** | | |
| % of total agricultural imports | 72.9 | 70.6 | 69.7 | 71.6 | 70.8 | 71.8 | | |

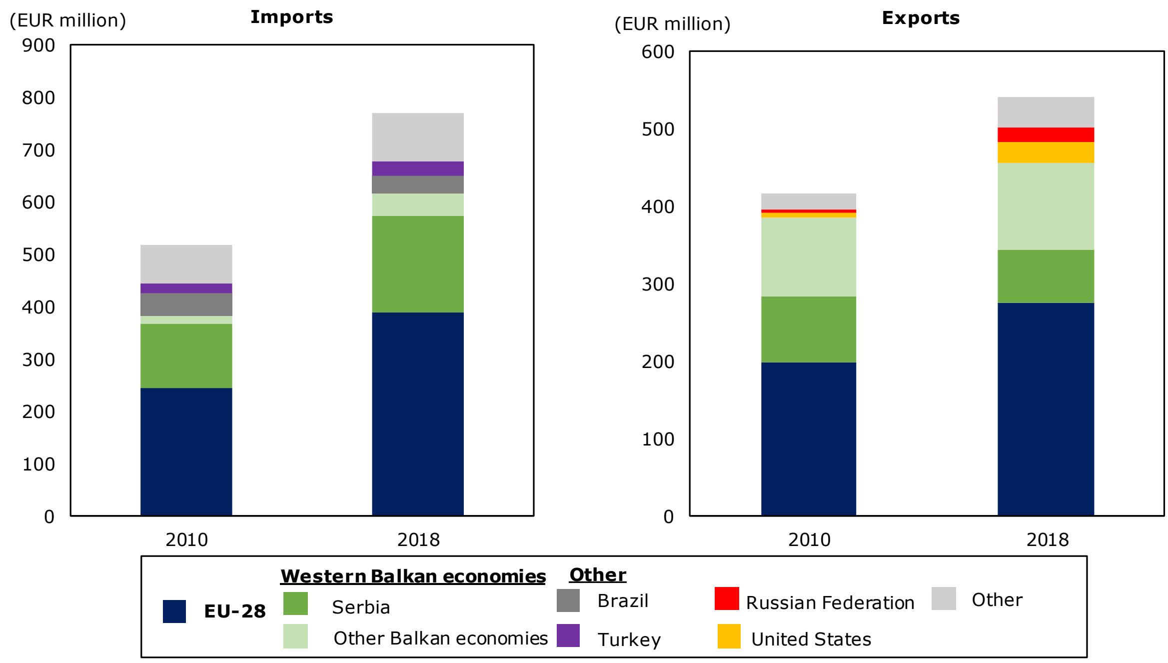
a According to 2018 data at the HS 2-digit level.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 3, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20) plus some selected products (HS 2905.43, 2905.44, 2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, 5301, and 5302).

Source: State Statistical Office, MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

4.10. The main markets for agriculture and food products are the European Union and neighbouring Western Balkan economies (Chart 4.1).

### Chart 4.1 Agricultural trade by main partners, 2010 and 2018




Source: WTO calculations, based on the State Statistical Office's MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

### 4.1.2 Policy objectives and administration

4.11. The Ministry of Agriculture, Forestry and Water Economy is the competent authority for planning, monitoring and evaluating agricultural policy measures and instruments, while the Agency for Financial Support in Agriculture and Rural Development (AFSARD) is responsible for the implementation of agricultural policy measures. The Food and Veterinary Agency is responsible for coordinating legislation and the control systems for food-safety issues, animal feed, and veterinary policy, and harmonization with the European Union on these issues. The Ministry of Economy is responsible for related policies and programmes on economic policy, industrial policy, SME competitiveness, and innovation enhancement for the food processing industry. The national extension agency, the State Finance Advisory Services, will be reformed by a new law to be adopted in 2019.The reform will align the procedures of the agency with the objectives of the new agricultural strategy (see below), and will considerably widen the number of beneficiaries (from 700 to 30,000-40,000) through recourse to both recognized private advisers and co-financing by the EU-funded IPARD programme.

4.12. The main legal framework of agricultural policy is the Law on Agriculture and Rural Development, 2010[3], which did not undergo any significant changes during the period under review, in spite of several amendments. Further legal and policy reforms are planned after the opening of accession to European Union, to further align the North Macedonian agricultural policy with the EU common agricultural policy. Other significant laws adopted or amended during the period under review include the Law on the Establishment of Agency for Financial Support of Agriculture and Rural Development[4], the Law on Quality of Agricultural Products[5], the Law on Organic Agricultural Production[6], and the Law on Wine.[7]

4.13. The main priorities of agricultural policy are defined by the National Strategy for Agriculture and Rural Development for the period 2014-20 (NSARD 2014-20). Its strategic objective is to increase the competitiveness of the North Macedonian agricultural production and the food industry, the development of rural areas and the sustainable management of natural resources". To achieve this objective, the strategy defines the following priority areas:

- improving technological and market infrastructure, in order to increase the range of products with added value, productivity, quality and safety, and meeting EU standards;
- strengthening the horizontal and vertical integration of the agri-food sector and developing market contractual relations in the agricultural value-chains that should enable better exchange of market information and planning of production and purchase, as well as improving the marketing of agricultural products and their promotion in foreign markets;
- providing access to production factors, agricultural land and its consolidation, capital and quality production inputs, and improving human potential in the sector; and
- improving rural infrastructure for the sustainability of rural communities and economic activities in rural areas.

4.14. In pursuing these four priorities, special attention is to be paid to restructuring and modernizing the agricultural sector (e.g. addressing the issues of land size and fragmentation, the ageing rural population, and the migration thereof) by initiating a strong investment cycle supported by public funds. Furthermore, the NSARD 2014-20 outlines a set of specific objectives, namely:

- the restructuring and modernization of the agri-food sector;
- the regulation of markets, the organization of the food chain, and the improvement of the quality of agricultural products;
- the improvement of living and business conditions in rural areas;
- continuous access to knowledge and investment in human capital in agriculture;
- the completion of the functionality of the national food safety system; and
- the sustainable management of natural resources and the mitigation of the impact of climate change on agriculture.

[3] Law on Agriculture and Rural Development (Official Gazette Nos. 49/2010, 53/2011, 126/2012, 15/2013, 69/2013, 106/2013, 177/2014, 25/2015, 73/2015, 83/2015, 154/2015, 11/2016, 53/2016, 120/2016, 163/2016, 74/2017, and 83/2018).

[4] Law on the Establishment of Agency for Financial Support of Agriculture and Rural Development (Official Gazette Nos. 72/2007, 5/2009, 43/2014, 193/2015, 39/2016, and 164/2018).

[5] Law on Quality of Agricultural Products (Official Gazette Nos. 140/10, 53/11, 55/12, 106/13, 116/15, 149/15, 193/15, and 39/16).

[6] Law on Organic Agricultural Production (Official Gazette Nos. 146/09; 53/11; 149/15; 39/16, and 132/16).

[7] Law on Wine (Official Gazette Nos. 50/10; 53/11; 6/12; 23/13; 106/13; 188/13; 149/15; 39/16, and 172/16).

4.15. These objectives are linked to the implementation of the agricultural aspects of Regulation (EU) No. 231/2014 of the European Parliament and of the EU Council of 11 March 2014 Establishing an Instrument for Pre-Accession Assistance (IPA II). Annex II thereof, on thematic priorities for assistance, indicates that assistance will be aimed at "increasing the ability of the agri-food sector to cope with competitive pressure and market forces as well as to progressively align with the Union rules and standards, while pursuing economic, social and environmental goals in balanced territorial development of rural areas". To achieve these goals the European Union planned to spend EUR 60 million during the period 2014-20: EUR 5 million each year in 2014, 2015 and 2016; EUR 6 million in 2017; EUR 10 million in 2018; EUR 14 million in 2019; and EUR 15 million in 2020. However, these sums may not be entirely disbursed, as an audit on the implementation of the previous programme, IPA I, identified problems of absorption of EU assistance.

### 4.1.3 Policy instruments

#### 4.1.3.1 Border measures

##### 4.1.3.1.1 Measures affecting imports

4.16. The extent of tariff protection in the agricultural sector is relatively high. The simple average applied MFN tariff for agricultural products is 17.6% in 2019, which is more than triple that of non-agricultural products (5.8%). The range of tariff rates on agricultural products is between 0% and 75%. The share of non-*ad valorem* tariffs for agricultural products (13.5%) is considerably higher than that for non-agricultural products (0.2%), while the share of duty-free lines is much lower for agricultural products (24.8%) than for non-agricultural products (44.5%). The simple average MFN final bound rate of agricultural products is 18.2%, compared with 6.3% for non-agricultural products.

4.17. While there is full duty-free treatment within the CEFTA, including for agricultural products, the simple average of preferential duties for agricultural products under the various FTAs is either equal to that of applied MFN duties (FTAs with Ukraine and Turkey: 17.6%) or only slightly lower (16.7% for the FTA with the EFTA, 12.8% for the agreement with the European Union). This situation reflects the exclusion of numerous tariffs lines, notably preparations of vegetables, fruit, meat and dairy products from preferential treatment.

4.18. North Macedonia maintains one tariff-rate quota (Table 4.8). The utilization rate is consistently low, due to the fact that the majority of the imported wheat quantities comes from neighbouring countries participating in the CEFTA.

**Table 4.8 Tariff-rate quotas and fill rates, 2013-17**

| Description of product | Method of administration | WTO tariff rate quota level (tonnes) | Fill rate (%) | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2013 | 2014 | 2015 | 2016 | 2017 |
| Other spelt, other than common wheat and meslin seed | Allocated to MFN suppliers on a "first-come, first-served" basis. Period of in-quota imports: 1 January – 31 December | 80,000 | 16 | 30 | 28 | 17 | 28 |

Source: WTO notifications G/AG/N/MKD/19, 23 October 2017; G/AG/N/MKD/20, 14 November 2017; and G/AG/N/MKD/22 and 23, 18 January 2018.

##### 4.1.3.1.2 Measures affecting exports

4.19. North Macedonia notified the Committee on Agriculture that it provided no export subsidies and no export credits to agricultural products for the calendar years 2008 to 2018.[8]

[8] WTO documents G/AG/N/MKD/17, 31 July 2017; and G/AG/N/MKD/21, 16 January 2018, and information provided by the authorities for export subsidies in calendar year 2017 and for export credits throughout the period.

#### 4.1.3.2 Internal measures

##### 4.1.3.2.1 Support measures

4.20. According to the NSARD 2014-20, the Ministry of Agriculture, Forestry and Water Economy foresees EUR 150 million of annual budgetary transfers for the period 2014-20. This amount was further increased to EUR 160 million with the Work Programme of the Government for the period 2017-20.

4.21. According to one report, total budgetary transfers in the 2010-15 period varied from EUR 129 million in 2014 to EUR 73 million in 2015 and 2011.[9]

4.22. Although the total budgetary allocation has varied year to year, the structure of support remained relatively stable: direct support to producers represented the largest share (60% in 2015); followed by rural development measures (28% in 2015); and general support to agriculture (12% in 2015).

**Table 4.9 Budget outlays and effective disbursements for yearly programmes of support (2010-17)**

| | Approved budget[a] (MKD million) | Effective disbursement (MKD million) | % of realization of the programme | Share of total paid |
|---|---|---|---|---|
| **Programme 2010** | | | | |
| Programme for Financial Support in Agriculture | 5,309.70 | 4,315.11 | 81.27% | 91.0% |
| Programme for Financial Support of Rural Development | 579.00 | 430.57 | 74.36% | 9.0% |
| **Total** | **5,888.70** | **4,745.68** | 80.60% | 100.0% |
| **Programme 2011** | | | | |
| Programme for Financial Support in Agriculture | 6,233.50 | 3,875.47 | 62.17% | 99.9% |
| Programme for Financial Support of Rural Development | 344.60 | 5.26 | 1.53% | 0.1% |
| **Total** | **6,578.10** | **3,880.73** | 59.000% | 100.0% |
| **Programme 2012** | | | | |
| Programme for Financial Support in Agriculture | 6,932.00 | 5,296.40 | 76.41% | 95.8% |
| Programme for Financial Support of Rural Development | 599.94 | 230.24 | 38.38% | 4.2% |
| **Total** | **7,531.94** | **5,526.64** | 73.4% | 100.0% |
| **Programme 2013** | | | | |
| Programme for Financial Support in Agriculture | 6,885.00 | 5,624.02 | 81.69% | 97.5% |
| Programme for Financial Support of Rural Development | 1,160.00 | 146.24 | 12.61% | 2.5% |
| **Total** | **8,045.00** | **5,770.27** | 71.70% | 100.0% |
| **Programme 2014** | | | | |
| Programme for Financial Support in Agriculture | 6,499.40 | 6,426.61 | 98.88% | 86.4% |
| Programme for Financial Support of Rural Development | 1,799.70 | 1,012.24 | 56.25% | 13.6% |
| **Total** | **8,299.10** | **7,438.85** | 90.00% | 100.0% |

[9] Dimitrievski, D., Stamenkovska, I.V., Kotevska, A. (2016), *Agriculture Statistics Database*, SWG/EC JRC IPTS Project – Analysis of Agriculture and Rural Development Policies in Western Balkan Countries. Volk, T., Rednak, M., Erjavec, E., Zhllima, E., Gjeci, G., Bajramović, S., Vaško, Ž., Ognjenović, D., Butković, J., Kerolli-Mustafa, M., Gjokaj, E., Hoxha, B., Dimitrievski, D., Kotevska, A., Stamenkovska, I.J., Martinovic, A., Konjevic, D., Spahic, M., Bogdanov, N., Papić, R., and Todorović, S. (authors); Volk, T., Erjavec, E., Ciaian, P., Gomez y Paloma S. (eds.) (2017), *Monitoring of agricultural policy developments in the Western Balkan countries*, EC, JRC. Viewed at: http://seerural.org/wp-content/uploads/2017/06/Monitoring-of-agricultural-policy-developments-in-the-Western-Balkan-countries.pdf.

| | Approved budget[a] (MKD million) | Effective disbursement (MKD million) | % of realization of the programme | Share of total paid |
|---|---|---|---|---|
| **Programme 2015** | | | | |
| Programme for Financial Support in Agriculture | 6,486.66 | 6,308.90 | 97.26% | 84.6% |
| Programme for Financial Support of Rural Development | 1,818.44 | 1,145.21 | 62.98% | 15.4% |
| **Total** | **8,305.10** | **7,454.11** | 89.70% | 100.0% |
| **Programme 2016** | | | | |
| Programme for Financial Support in Agriculture | 5,613.02 | 5,491.25 | 97.83% | 76.8% |
| Programme for Financial Support of Rural Development | 1,883.90 | 1,657.52 | 87.98% | 23.2% |
| **Total** | **7,496.92** | **7,148.77** | 95.30% | 100.0% |
| **Programme 2017** | | | | |
| Programme for Financial Support in Agriculture | 6,394.00 | 6,328.93 | 98.98% | 82.7% |
| Programme for Financial Support of Rural Development | 1,707.24 | 1,322.00 | 77.43% | 17.3% |
| **Total** | **8,101.24** | **7,650.93** | 94.40% | 100.0% |

a Amount of approved budget in the programme.

Note: The indicated amount paid per programme is the figure for the amount paid in the given budget year (period from 1 January to 31 December of the year).

Source: Information provided by the authorities.

4.23. Direct payments for producers are set out in Table 4.10. All measures are based on either production quantities, animal numbers, or area under cultivation. In some cases, payments were made available each year in the 2010-2017 period, others were applied for only one or two years, while other measures ceased. There also appears to be some overlap among measures, at least for some years, such as separate measures based on production and area for grapes, orchards, and vegetables. The measures covered by Table 4.10 include punctual intervention measures aimed at compensating income losses of farmers due to price fluctuations on the market. This explains the fact that payments under these measures were made only in certain years and that in some cases different subsidies were granted in parallel with respect to the same product. In general, there is a tendency towards the direct payments policy, to simplify the system and to align it with the EU common agricultural policy.

4.24. In addition, some of the measures also relate to improving production efficiency, for example the payments for: cereal seeds; vegetable, vine, fruit and flower propagation material; drip irrigation; and production under controlled conditions.

### Table 4.10 Direct payment schemes and input subsidies, 2010-17

| Subsidy name and main criteria | Unit | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **I - PAYMENTS BASED ON OUTPUT (PRICE AIDS)** | | | | | | | | | |
| Dairy premium: granted for cow, sheep and goat milk delivered to dairies | EUR/litre | 0.04 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| Tobacco premium: granted for sold small leaf tobacco (paid for the previous year's harvest) | EUR/kg | 0.98 | 0.98 | 0.98 | 0.97 | 0.97 | 0.97 | 0.97 | 0.97 |
| Additional payment for rice: granted for rice shell sold to registered buyers; decreasing payments depending on the area under cultivation (full amount for 0.2-2.5 ha) | Max. EUR/kg | - | - | 0.06 | - | - | - | - | - |
| Additional payment for vegetables for processing: granted for vegetables sold to the processing industry (in addition to payments per ha); different amounts by variety of vegetable | EUR/kg | 0.02 | 0.02; 0.03 | 0.02; 0.03 | 0.02; 0.03 | 0.02; 0.04 | 0.02; 0.11 | 0.02; 0.05 | 0.02; 0.05 |

| Subsidy name and main criteria | Unit | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Additional payment for fruits for processing: granted for fruits sold to the processing industry (in addition to payments per ha) | EUR/kg | - | - | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| Payment for wine grapes: granted to family farms for wine grapes sold to registered processing plants | EUR/kg | 0.03 | 0.03 | 0.03 | - | - | - | - | 0.03 |
| Payment for buyout of wine grapes: different payments depending on quantities sold (2010) or grape variety (2011) | EUR/kg | 0.07; 0.09 | 0.03; 0.05; 0.12 | - | - | - | - | - | - |
| **II - PAYMENTS BASED ON AREA** | | | | | | | | | |
| Payment for field crops excluding tobacco: decreasing payments depending on the area under cultivation (from 2010, full amount for 0.3-20 ha; from 2013, full amount for 0.3-10 ha) | Max. EUR/ha | 130 | 138 | 146 | 146 | 146 | 130 | 114 | 97 |
| Additional payment for cereals sown with certified seed: in addition to payments for field crops; decreasing payments depending on the area under cultivation (from 2010, full amount for 0.3-20 ha; from 2013, full amount for 0.3-10 ha) | Max. EUR/ha | 41 | 49 | 49 | 49 | 49 | 65 | 81 | 97 |
| Payment for wheat: paid for min. 0.3 ha and max. 10 ha | EUR/ha | - | - | - | - | 49 | - | - | - |
| Additional payment for forage crops: in addition to payments for field crops | EUR/ha | - | - | 16 | 16 | 16 | 16 | 16 | 16 |
| Additional payment for rice and sunflowers: in addition to payment for field crops; from 2014, decreasing payment depending on the area under cultivation (full amount for 0.3-10 ha) | | | | | | | | | |
| rice and sunflowers | Max. EUR/ha | - | 57 | 49 | 49 | 49 | 49 | 49 | 49 |
| drip-irrigated sunflowers | Max. EUR/ha | - | - | - | - | - | - | 97 | 97 |
| corn (from 2016, only drip-irrigated) | Max. EUR/ha | - | - | 16 | - | - | - | 49 | - |
| poppy seeds | Max. EUR/ha | - | - | - | - | - | - | 49 | 49 |
| Additional payment for cereals and sunflowers: in addition to payment for field crops; paid for min. 10 ha and max. 50 ha; min. yield 4 t/ha for wheat, 3 t/ha for barley, rye, and oats, and 1.8 t/ha for sunflowers | EUR/ha | - | - | - | - | - | - | 78 | 78 |
| Payment for vegetables: granted for production in the open air and plastic tunnels; min. eligible area 0.2 ha; different amounts depending on the variety of vegetable | EUR/ha | 325 | 325-585 | 98-488 | 97-487 | 97-487 | 97-487 | 97-487 | 97-487 |
| Additional payment for vegetables produced under controlled conditions: granted for tomatoes, peppers, cucumbers and cut flowers (in addition to payment for vegetables); from 2013, min. quantities sold: tomatoes 40 t/ha; peppers 20 t/ha; cucumbers 80 t/ha for heated greenhouses; tomatoes 8 t/ha; peppers 4 t/ha; cucumbers 16 t/ha for heated plastic tunnels, and from 2013 also for strawberries | EUR/ha | 1,301 | 2,438 | 1,463 | 1,462 | 1,461 | 1,461 | 1,461 | 1,463 |
| Payment for orchards: granted for the area under orchard; min. eligible area 0.2 ha; min. seedlings/ha; different amounts depending on variety of fruit; decreasing payment depending on the area under cultivation (from 2010, full amount for 0.3-5 ha; from 2012, for 0.2-3 ha; from 2014, for 0.2-5 ha) | Max. EUR/ha | 293-710 | 569 | 244-455 | 244-536 | 244-536 | 244-536 | 243-536 | 243-1,463 |

| Subsidy name and main criteria | Unit | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Payment for vineyards: granted for the area under vineyards; min. eligible area 0.2 ha; min. 1,500 seedlings/ha; decreasing payments depending on the area under cultivation (from 2012, full amount for 0.2-3 ha; from 2014, full amount for 0.2-5 ha) | Max. EUR/ha | 650 | 650 | 650 | 650 | 649 | 649 | 649 | 650 |
| Additional payment for vegetables, orchards and vineyards: granted in addition to area payments for vegetables, orchards and vineyards for conversion from cereal production to vegetable, fruit or vine production | % | - | - | - | - | - | - | 30 | 30 |
| Payment for seeds: granted for the area under quality and certified seeds; different amounts for arable crops and tobacco seeds; decreasing payment depending on the area under cultivation (from 2012, full amount for 0.3-10 ha) | Max. EUR/ha | 228-975 | 195 | 244 | 224-975 | 243-975 | 243-975 | 243-975 | 243 975 |
| Payment for decorative and fast-growing seedlings: granted for the area under decorative and fast-growing seedlings which are stipulated in the Annex of the Programme for direct payment for 2016 | EUR/ha | - | - | - | - | - | - | 97 | 97 |
| Payment for ostrich farming: granted for agricultural holdings which are registered for the keeping of ostriches and have at least 4 adult ostriches | EUR/head | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Payment for registered wintered bee hives: min. 35 hives | EUR/hive | 8 | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| Additional payment for breeder queen: granted for agricultural holdings which are registered for the keeping of breeder queens; support is per beehive family which is included in the selection and production of the breeder queen | EUR/hive | - | - | - | - | - | 16 | 16 | 16 |
| **III - INPUT SUBSIDIES** | | | | | | | | | |
| Payment for cereal seeds: different payment for production of basic and pre-basic cereal seeds | EUR/kg | - | - | - | 0.13; 0.32 | 0.13; 0.32 | 0.13; 0.32 | 0.13; 0.32 | 0.13; 0.32 |
| Payment for seedlings: granted for the production of seedlings and young plants: | | | | | | | | | |
| coil vine and fruit seedlings | EUR/piece | 0.24 | 0.24 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 |
| vegetable planting material (min. 500,000 seedlings/year) | EUR/piece | - | - | - | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| flower planting material (min. 500,000 seedlings/year) | EUR/piece | - | - | - | - | - | 1.14 | - | - |
| Payment for day-old chicks: granted for broiler and female chicks; from 2013, different amounts for chicks produced for own farm and for market | EUR/chick | 0.05 | 0.05 | 0.05 | 0.03; 0.06 | 0.03; 0.06 | 0.03; 0.06 | 0.05; 0.08 | 0.05; 0.08 |
| **IV - INSURANCE** | | | | | | | | | |
| Insurance subsidy: co-financing of crop and livestock insurance premiums; limited eligible areas for crop insurance subsidies (cereals max. 10 ha; tobacco max. 1 ha; vegetables max. 2 ha; orchards and vineyards max. 5 ha) | % | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |

Note: Additional degressive payments are subject to production thresholds.

Source: Agricultural statistics database compiled for North of Macedonia under the SWG projects. Viewed at: http://app.seerural.org/agriculturalstatistics/.

#### 4.1.3.2.2 Price controls and market price support systems

4.25. North Macedonia does not apply any protective prices or any kind of market price support schemes as a consequence of its accession commitments to WTO.

4.26. The Agency for stock reserves operates on the market but its competence is limited to the management of food security reserves. It manages only two primary agricultural products: wheat and barley. It applies competitive and transparent procurement procedures in accordance with the general procurement law. After accession to the WTO, the market price support operations competence was discontinued.

4.27. When market prices are lower than average production costs, the Government, based on a proposal by the Ministry of Agriculture, can decide to establish a compensation for farmers for defined quantities of wheat purchased by the Agency for stock reserves. The Agency for Financial Support in Agriculture and Rural Development is in charge of the distribution of that support. However, this procedure, which was introduced in the Law on Agriculture and Rural Development, has never been applied. Support in the case of a drop in market prices is provided, in practice, through increased direct payment subsidies.

#### 4.1.3.2.3 Other measures

4.28. An insurance subsidy scheme exists, which provides a subsidy of up to 60% of the cost of the insurance premium, up to a maximum subsidy of EUR 3,253 per farm, for crop, livestock, and agricultural yield insurance. Under the scheme:

- crop insurance is available for weather-related risks for all major commodities, including meadows but not tobacco;
- livestock insurance is available for most animal species, including bees and fish, and dead animals (including emergency slaughter), with an option to cover veterinary treatment; and
- Area Yield Index insurance, which was introduced in 2014, is intended to protect producers from risks associated with reduced yields due to adverse weather events and biological risks.[10]

### 4.1.3.3 Levels of support

4.29. The most recent notification by North Macedonia for domestic support was for calendar years 2005, 2006, and 2007.[11]

4.30. Table 4.11 describes the level of support for the years 2010-15, reportedly calculated according to the OECD methodology but excluding the value of market price support.[12] The OECD's methodology calculates the value of support via a number of indicators, including the Producer Support Estimate (PSE) for gross transfers from consumers and tax payers to agricultural producers; the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and Single Commodity Transfers (SCTs) for transfers to specific commodities. The PSE represents the value of transfers to producers, unlike support under the Amber, Blue and Green Boxes under the WTO.[13] Therefore, the value of support as notified to the WTO is not comparable with the values calculated by the OECD.

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[10] Insurance Supervision Agency (2015). Presentation to the International Insurance Forum in Munich in June 2015. Viewed at: http://www.internationalinsuranceforum.com/prop/wp-content/uploads/2014/10/22_Zoran-STOJANOVSKI.pdf.

[11] WTO document G/AG/N/MKD/10, 15 February 2011.

[12] Dimitrievski, D., Stamenkovska, I.V., Kotevska, A. (2016), *Agriculture Statistics Database*, SWG/EC JRC IPTS Project – Analysis of Agriculture and Rural Development Policies in Western Balkan Countries, Table 8-3.

[13] OECD (2017), *Agricultural Policy Monitoring and Evaluation 2017*, OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/agr_pol-2017-en.

**Table 4.11 Budgetary support to agriculture according to the OECD/PSE classification, 2010-15**

(EUR million)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| **Budgetary transfers to agricultural producers (PSEb)** | **75.1** | **54.2** | **82.7** | **63.5** | **107.8** | **60.8** |
| A.2. Payments based on output | 30.7 | 35.3 | 29.7 | 11.5 | 39.7 | 25.4 |
| B. Payments based on input use | 5.7 | 0.7 | 3.3 | 0.8 | 4.4 | 17.2 |
| B.1. Variable input use | 0.3 | 0.2 | 0.4 | 0.6 | 0.5 | - |
| B.2. Fixed capital formation | 5.2 | 0.4 | 2.7 | 0.2 | 3.4 | 17.2 |
| B.3. On-farm services | 0.2 | 0.2 | 0.1 | 0.1 | 0.5 | - |
| C. Payments based on current area/animal/receipt/income/product | 38.5 | 18.2 | 49.7 | 50.3 | 59.4 | 18.2 |
| D. Payments based on non-current area/animal/receipt/income/product | - | - | - | - | - | - |
| E. Payments based on non-current area/animal/receipts/income, production not required | - | - | - | - | - | - |
| F. Payments based on non-commodity criteria | - | - | - | - | - | - |
| G. Miscellaneous payments | 0.2 | 0.0 | 0.1 | 0.9 | 4.3 | - |
| **General Services Support Estimate (GSSE)** | **7.3** | **17.3** | **18.0** | **17.4** | **12.4** | **11.3** |
| H. Agricultural knowledge and innovations system | 1.0 | 0.9 | 1.2 | 1.2 | 1.3 | 1.3 |
| I. Inspection and control | 5.2 | 5.5 | 5.2 | 5.6 | 6.1 | 6.2 |
| J. Development and maintenance of infrastructure | 1.0 | 8.5 | 8.4 | 9.4 | 5.0 | 3.8 |
| K. Marketing and promotion | 0.0 | 2.4 | 3.2 | 1.2 | 0.0 | - |
| L. Public stockholding | - | - | - | - | - | - |
| M. Miscellaneous | - | - | - | - | - | - |
| **Budgetary transfers to consumers (CSEb)** | **0.9** | **1.0** | **1.4** | **0.5** | **0.2** | **0.1** |
| **Total budgetary transfers to agriculture (TSEb)** | **83.4** | **72.5** | **102.2** | **81.4** | **120.3** | **72.1** |
| Measures from Agricultural Policy Monitoring (APM) not included in TSEb | 0.6 | 0.1 | 0.2 | 1.0 | 8.5 | 1.1 |

Note: PSE is composed of Market Price Support (MPS), which is calculated mainly as the price gap between domestic and border prices, and PSEb further disaggregated based on implementation criteria. Only the budgetary part of PSEb is presented in the table (MPS is not calculated). For more information, see: OECD's Producer Support Estimate and Related Indicators of Agricultural Support: Concepts, Calculations, Interpretation and Use (The PSE Manual). OECD Publishing, Paris. Available at: http://www1.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/documents/producer-support-estimates-manual.pdf.

Source: Agricultural statistics database compiled for North Macedonia under the SWG projects. Viewed at: http://app.seerural.org/agricultural-statistics/.

## 4.2 Mining and Energy

### 4.2.1 Mining

4.31. According to the authorities, in 2016, mining and quarrying accounted for 1.2% of GDP. In 2018, there was a total of 354 concessions for the exploitation of mineral resources, of which: 14 for metallic mineral resources; 6 for coal; 5 for gypsum; 40 for ornamental stones (marble, granite, travertine, and onyx); 24 for water; and 265 for other non-metallic mineral resources. The same year, there were 23 active detailed geological research concessions (6 for metallic mineral resources, 4 for coal, and 13 for non-metallic mineral resources and water).

4.32. So far, the Government has awarded three concessions for prospective geological researches, a new category of concessions created in 2013, in order to allow preliminary researches in vaster and still unchartered geographical areas (5,000 km$^2$ maximum) compared with detailed geological research concessions. After completing the prospective research, the concessionaire may submit a request to obtain a concession for detailed geological explorations in several locations, in an area that does not exceed 2.5% of the total area explored. The results for the rest of the area explored come into the possession of the State.

4.33. Table 4.12 describes the evolution of the production of metallic minerals between 2010 and 2017.

**Table 4.12 Production of metallic minerals, 2010-17**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Produced lead (Pb) concentrate (tonne) | 52,487 | 47,982 | 48,455 | 58,816 | 50,678 | 42,501 | 43,111 | 54,401 |
| Produced zinc (Zn) concentrate (tonne) | 61,948 | 53,383 | 51,009 | 51,796 | 54,407 | 51,547 | 50,361 | 55,719 |
| Silver (Ag) in Pb and Zn concentrate (kg) | 22,558 | 16,979 | 19,871 | 57,468 | 20,247 | 15,627 | 15,267 | 15,869 |
| Produced cathode copper (kg) | | | 1,180,399 | 1,877,834 | 1,740,748 | 2,268,380 | 1,395,946 | 958,235 |
| Copper concentrate, damp (tonne) | 40,954 | 39,099 | 46,899 | 48,965 | 42,376 | 47,140 | 47,809 | 42,813 |

Source: Information provided by the authorities.

4.34. According to the Mineral Resources Law, 2012[14], the Government is the grantor of concessions. The Ministry of Economy is responsible for awarding concessions for prospective geological research, detailed geological research, and exploitation of mineral resources, and for the issuance of exploitation licences. The inspection of the implementation of the Law is monitored by the State Inspectorate for Technical Inspection. Environmental aspects are dealt with by the State Environmental Inspectorate, and the supervision and control over the payment of the mining fees is in the remit of the Public Revenue Office.

4.35. Concessions for the exploitation of mineral resources are awarded on the basis of a complete study based on the results of detailed geological researches, and of a public call with electronic auction if the owner of the results of the research is the State. If the results are owned by a private person, the concession for exploitation is awarded automatically to the person concerned. If public companies, public institutions, or entities which are owners of the land request the concession, it is awarded on the basis of a simple authorization.

4.36. The duration of the concession is variable, and can be renewed; the total duration cannot exceed 30 years. Effective exploitation can only start after the granting of an exploitation licence, based on an environmental impact assessment and on technical and financial abilities; the concessionaire must request these within two years of the signature of the concession contract.

4.37. A simplified procedure was put in place in 2014 for the exploitation of minerals linked to the construction of roads.

4.38. The concessionaire of a detailed geological exploration concession must pay a one-time mining fee for using the area. The amount of the fee depends on the type of mineral mentioned in the concession.

4.39. The holder of an exploitation concession must pay:

- an annual usage fee, the amount of which depends on the type of mineral exploited; and
- a fee proportional to the quantity of the exploited mineral.

4.40. A large part of the revenue collected (78%) is allocated to the municipality where the concession is located, while the remainder (22%) is attributed the state budget. Four percent of the amount attributed to the State must be allocated to the re-cultivation and rehabilitation of the degraded mining areas.

4.41. For metallic minerals, the concession fee is 2% of the market value (as set by the London Metals Exchange) of concentrated metals. For decorative stones, the fee depends on the type of stones (for marble, it is EUR 15 per cubic metre; for granite, EUR 9 per cubic metre; and for onyx

[14] Official Gazette No. 136/12 of 5 November 2012.

or travertine, EUR 6.5 per cubic metre). For minerals for the construction industry, the fee is EUR 0.15 per tonne.

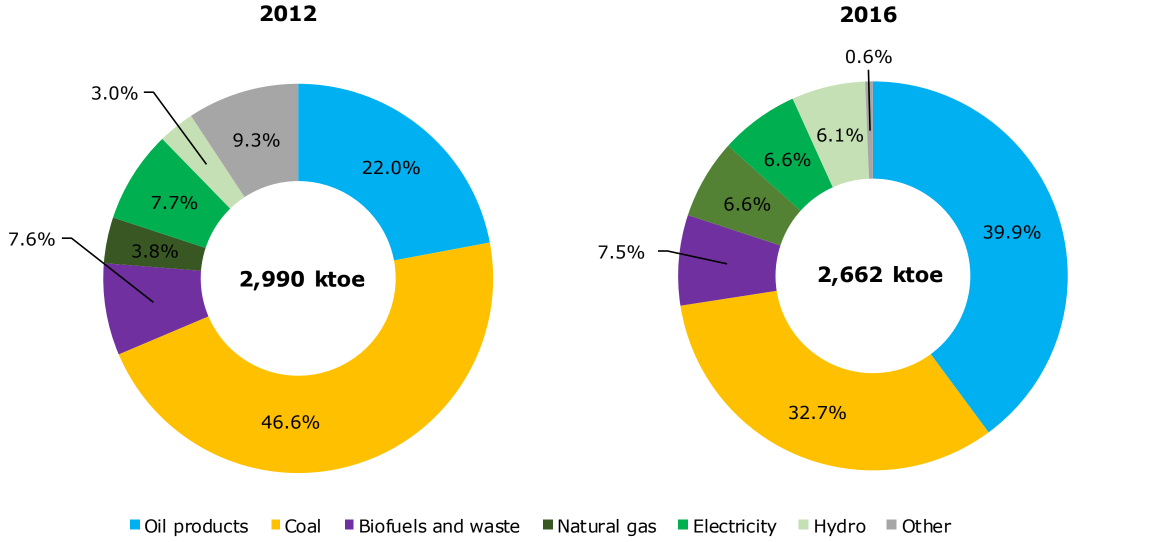
4.42. The State is involved in seven mining concessions (four for detailed geological researches and three for the exploitation of coal) and three concessions for the exploitation of non-metallic mineral resources.

4.43. Of the 354 concessions currently exploited, around 13% are held by foreign companies. All three prospective geological research concessions are held by foreign companies.

### 4.2.2 Energy

4.44. Oil and coal constitute the main primary energy supply sources in North Macedonia. Oil products were the lead source in 2016 (Chart 4.2).

**Chart 4.2 Total Primary Energy Supply (TPES) by energy source**




Note: Coal includes peat and oil shale, where relevant. Other includes crude oil, and geothermal and solar energy. The shares of electricity in this chart correspond to imports of electricity.

Source: International Energy Agency (IEA) statistics database.

#### 4.2.2.1 Overall energy strategy, including environmental aspects

4.45. The Ministry of Economy, through its energy department, is the authority in charge of defining the country's overall energy strategy. The Ministry is assisted by an independent agency, the Energy Regulatory Commission (ERC), which was set up in 2002[15]. A 2003 amendment to the Law on Energy[16] strengthened the Commission's power and made it fully compliant with the requirements deriving from Directive No. 54/2003 of the European Parliament and of the Council of the European Union of 26 June 2003 concerning common rules for the internal market in electricity, and for the establishment of an independent regulatory body. A further reform in 2011[17] extended the scope of competence of the ERC to water. The independence of the ERC was reinforced by the new Energy Law of May 2018[18], which transposes the EU Third Energy Package.

4.46. The Commission for the Protection of Competition (CPC) is in charge of competition and state aids issues but, so far, it has never opened an enquiry in the energy sector.

4.47. North Macedonia is a party to: the Energy Charter Treaty; the Energy Community; and the Agreement of the United Nations Framework Convention on Climate Change, including the Kyoto

[15] Amendment to the Law on Energy, Official Gazette No. 94/02.
[16] Official Gazette No. 38/03.
[17] Official Gazette No. 06/16.
[18] Law No. 96/2015 of 21 May 2018. Official Gazette No. 96/18.

Protocol, and the Paris Agreement. In addition to national considerations, the energy policy of the country is geared towards transposing the EU energy *acquis* in terms not only of liberalization but also of energy security, energy efficiency and environmental objectives.

4.48. The Strategy for Energy Development in Macedonia by 2040, replacing a similar document from 2010 and running initially until 2030, is in preparation and should be adopted by the Government by the end of 2019. This Strategy will set the following objectives:

- long-term goals for the development of individual energy activities to ensure security in the supply of various types of energy;
- connection of the energy systems of North Macedonia to the energy systems of other countries;
- long-term forecasting of investment and financing needs in the production, transmission and distribution capacities, in order to meet energy needs;
- renewable energy and energy-efficiency policies;
- encouraging the competitiveness of energy markets; and
- obligations undertaken to ratify international agreements, including an integrated strategy on energy and climate change.

4.49. The energy-efficiency policy is more specifically defined by the 2010 Strategy for Improvement of Energy Efficiency until 2020. The indicative target for total energy savings by the end of 2018, determined on the basis of the Energy Efficiency Strategy and the first National Energy Efficiency Activities Plan (NEEAP), is at least 9% of the average annual consumption of final energy in the period 2002-06. For the fulfilment of this target, the Government has, by law, an obligation to adopt three NEEAPs. In July 2017, it adopted the Third Energy Efficiency Action Plan for the period 2016-20; the envisaged national energy saving target is 148.72 ktoe by 2018 and 226.27 by 2020. The planned target of 102.5 ktoe for 2016 was achieved.

4.50. For the purposes of the transposition of Energy Efficiency Directive 2012/27/EU, of Energy Performance of Buildings Directive 2010/31/EU, and of Regulation 2017/1369 for establishing a framework for indicating energy consumption, the Ministry used technical assistance to draft the text on the Law on Energy Efficiency. A draft version of this Law is available on the National Regulatory Portal (ENER) since December 2018, and public debate took place in February 2019.

4.51. The Law introduces the obligation to reconstruct, annually, at least 1% of the total area of the buildings (with a useful floor area of at least 250 $m^2$) used and owned by central government bodies. A long-term strategy for the reconstruction of residential, public and commercial buildings is planned to be developed by 2030, in order to apply energy-efficiency measures and reduce environmental pollution. This will be implemented through three-years programmes.

4.52. In order to ensure the efficient monitoring and verification of the implementation of the energy-efficiency measures, it is envisaged that the Energy Agency manage, maintain and upgrade the Monitoring and Verification Platform (MVP), available online. The establishment of an Energy Efficiency Fund, in the form of an independent legal entity, is also envisaged.

4.53. The renewable energy policy is determined by the 2010 Strategy for Utilisation of Renewable Energy Sources by 2020.[19] North Macedonia transposed the EU *acquis* regarding Renewable Energy Sources (RES), Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009, on the promotion of the use of energy from renewable sources. The Directive requires the setting of targets as a percentage of the gross final energy consumption, and indicates that strong energy-efficiency measures should be applied.

[19] Ministry of Economy online information. Viewed at: http://iceor.manu.edu.mk/Documents/ICEIM/Strategies/Strategy%20for%20utilization%20RES.pdf.

4.54. According to State Statistical Office data, the share of RES was 18% in 2016, and 19.6% in 2017. According to the RES Action Plan, the percentage share of RES of final energy consumption should reach 23.9% by 2020, and 25.0% by 2025. This should be achieved through the construction of new RES plants, and through reinforced energy-efficiency measures.

4.55. Tables 4.13 and 4.14 detail, respectively, the gross production of renewable energy between 2012 and 2016, and the share of electricity from renewable sources in total electricity production and in gross national electricity consumption in percentages for the same years.

### Table 4.13 Gross production of renewable energy, 2012-16

(Ktoe)

| Energy | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Total | 312.92 | 370.15 | 343.14 | 389.28 | 368.56 |

Source: State Statistical Office's Makstat Database. Viewed at: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/.

### Table 4.14 Share of electricity from renewable sources in total electricity production and in gross national electricity consumption, 2012-16

(%)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| In total electricity production | 16.7 | 26.1 | 24.0 | 35.9 | 36.7 |
| In gross national electricity consumption | 11.7 | 18.7 | 15.5 | 24.9 | 27.0 |

Source: State Statistical Office's Makstat Database. Viewed at: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/.

4.56. In February 2019, the Government adopted a Decision[20] setting to 10% the percentage share of renewable energy sources in final energy consumption in transport by 2020.

4.57. In the same month, it also adopted a decree on measures for supporting the production of electricity from renewable energy sources.[21] This decree modified the pre-existing feed-in tariffs, and applies them to 185 preferential producers whose present and planned capacities are the following:

- hydroelectric power plants: 79 small hydro-power plants, totalling 72.46 MW, and an additional 30 planned plants, totalling 34.06 MW;
- photovoltaic plants: 102 plants, totalling 16.71 MW;
- wind power plants: one plant with a capacity of 13.2 MW, and one plant under construction with a capacity of 36 MW;
- biomass thermal plants: six plants under construction with a capacity of 4.3 MW in total;
- biogas thermal power plants: three plants with a capacity of 6.99 MW in total.

4.58. In a February 2019 Decision[22], the Government set a cap on the feed-in tariff allowable, by type of renewable energy (86 MW for wind, 10 MW for biomass, 20 MW for biogas, and 200 MW for photovoltaic). In addition to the feed-in tariff, premiums are granted to photovoltaic and wind powerplants, on the basis of a tender and an auction, within a limit of 50 MW for wind and 30 MW for photovoltaic.

4.59. The draft Rulebook on Renewable Energy Sources, which is in the final phase of adoption, will create the notion of "pro-sumer", i.e. it will allow individuals having surplus electricity production

[20] Decision on the national mandatory targets for the participation of energy produced from renewable sources in the gross final energy consumption, and for the share of energy produced from renewable sources in the final energy consumption in transport, Official Gazette No. 29/2019.
[21] Official Gazette No. 29/2019.
[22] Official Gazette No. 29/2019.

generated by photovoltaic installations on their roof to reinject the surplus in the network and to receive monetary compensation.

4.60. In order to fully transpose Directive 28/2009/EC on the promotion of renewable energy and biofuels, a new law on biofuels and an action plan for the use thereof will soon be adopted. They will set the obligatory percentage of biofuels, the monitoring system, the price of mixed biofuels, and the possibilities for subsidizing their production and use.

#### 4.2.2.2 Coal

4.61. As illustrated in Chart 4.2 above, coal represents a declining share of the total primary energy supply of the country (46.6% in 2012, 32.7% in 2016). It is essentially consumed in the production of electricity.

4.62. The trade balance for coal (including peat, lignite and oil shale) during the period under review is described in Table 4.15.

**Table 4.15 Coal trade balance, 2012-16**

(Ktoe)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Production | 1,246 | 1,053 | 986 | 876 | 745 |
| Exports | 8 | 0 | 0 | 2 | 2 |
| Imports | 141 | 55 | 120 | 86 | 106 |

Source: IEA statistics database.

4.63. Lignite accounts for the totality of the production, while imports are essentially composed of hard coal and coke. The importation of coal and coal products at wholesale level, and the distribution of coal and coal products at wholesale and retail levels, are open to the private sector and to foreign operators without limitations, even though the largest consumer, and hence importer, is the former electricity monopoly.

#### 4.2.2.3 Oil

4.64. Oil products account for over 40% of the energy consumed in the North Macedonia. The trade balance for the various types of oil products during the period under review is described in Table 4.16.

**Table 4.16 Oil and oil products trade balance, 2012-16**

(Ktoe)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Crude oil** | | | | | |
| Production | 0 | 0 | 0 | 0 | 0 |
| Exports | 0 | 0 | 7 | 0 | 0 |
| Imports | 266 | 55 | 0 | 0 | 0 |
| **Oil products** | | | | | |
| Production | 0 | 0 | 0 | 0 | 0 |
| Exports | 270 | 190 | 166 | 161 | 172 |
| Imports | 972 | 988 | 1,074 | 1,125 | 1,267 |

Source: IEA statistics database.

4.65. North Macedonia has no oil resources, and its only refinery was closed in 2013. The country imports all its oil products for domestic consumption, essentially from Greece and to a lesser extent from Bulgaria. Its crude oil pipeline, having become redundant, is now being transformed into an oil products pipeline. In the meantime, all imports of oil products are transported by tank trucks.

4.66. The importation and wholesale and retail distribution of oil products is open to the private sector and to foreign operators without restriction. Three companies, one of which is foreign, dominate the market: OKTA, Makpetrol and Lukoil, alongside smaller oil traders. The three companies own most of the petrol stations, although some independent owners remain.

4.67. State intervention is limited to the ownership of a 10% share in the pipeline, and to price regulation by the ERC, which sets the maximum refining and retail prices for oil derivatives and the maximum retail prices for blends of fossil fuels and bio-fuels.

4.68. The entry into force in 2015 of the October 2014 Law on Compulsory Oil Reserves, which also transposes the EU *acquis* in that area, has been delayed thrice, but is now set to 1 January 2020.

#### 4.2.2.4 Gas

4.69. The trade balance for gas during the period under review is described in Table 4.17 below.

**Table 4.17 Gas trade balance, 2012-16**

(Ktoe)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Natural gas** | | | | | |
| Production | 0 | 0 | 0 | 0 | 0 |
| Exports | 0 | 0 | 0 | 0 | 0 |
| Imports | 114 | 130 | 111 | 112 | 176 |

Source: IEA statistics database.

4.70. North Macedonia imports all its natural gas needs for domestic consumption via one interconnection point with Bulgaria. Interconnection capacities are auctioned through the South-East Europe Coordinate Auction Office. Works to achieve a second interconnection point with Greece are underway, and should be achieved by 2022.

4.71. There is no legal regime per se for the exploration/production and refining of gas. However, in May 2018, the Law on Energy created a regime for the construction of new natural gas distribution systems. It stipulated that such construction shall be undertaken by legal entities on the basis of: (a) a contract for establishing a PPP awarded by the Government; and (b) a concession agreement for public services awarded by the Government, of a Build Operate Transfer (BOT) type, with a maximum duration of 35 years. Foreign companies will be allowed to bid for such concessions.

4.72. A new system for natural gas distribution in certain areas of the country may be constructed and managed by a public enterprise or by another legal entity established for that purpose by the local self-government unit.

4.73. Regarding the transposition of the EU acquis, the 2018 implementation report of the Energy Community noted that the 2018 Energy Law transposed the requirements of the Third Energy Package and cleared the way towards ownership unbundling and certification of the country's transmission system operator. According to this report, North Macedonia is the only south eastern Balkan country with a fully deregulated wholesale and retail market. However, as the supply market is dominated by one operator and is limited to bilateral trading agreements, the market is illiquid. According to the same report, third party access is in place, but capacity allocation and transparency need to be improved, as they are not detailed enough on cross-border issues, and do not assess market demand for new investments. An entry/exit transmission tariff methodology is still missing. End-user gas prices are deregulated.

4.74. The main importer of gas is the oil company Makpetrol, and the main consumer is CHP TE-, a municipal central heating company. There are six active retail suppliers. Customers are mainly industrial users, since the share of households in gas consumption is negligible. The importation and the wholesale and retail distribution of gas are open to the private sector and to foreign operators without restriction.

#### 4.2.2.5 Electricity

4.75. The trade balance for electricity and heating during the period under review is described in Table 4.18.

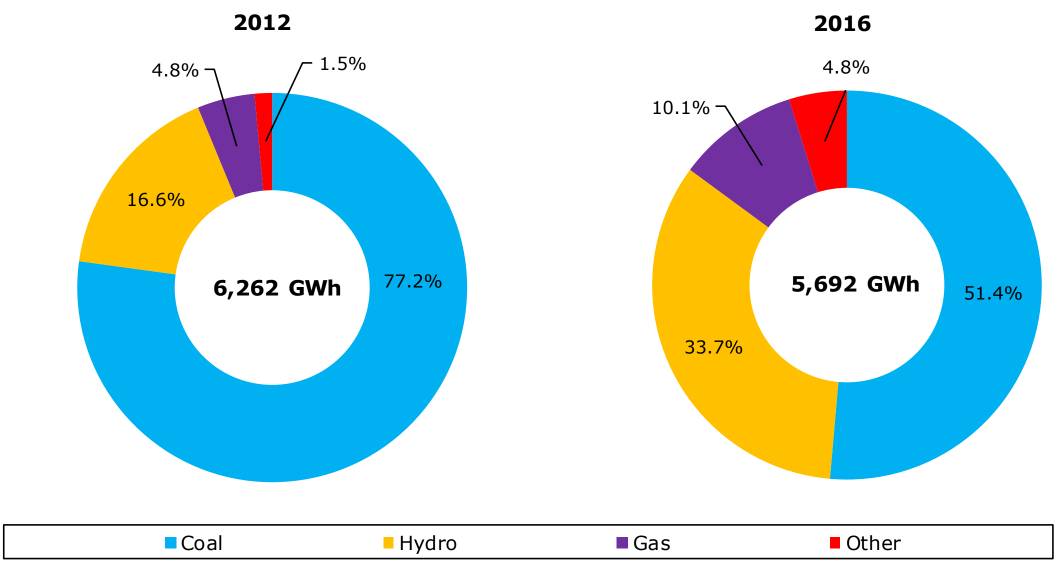
**Table 4.18 Trade balance for electricity and heating, 2012-16**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Electricity (GWh)** | | | | | |
| Production | 6,262 | 6,094 | 5,374 | 5,646 | 5,629 |
| Exports | 72 | 62 | 113 | 2,656 | 160 |
| Imports | 2,741 | 2,491 | 3,013 | 143 | 2,191 |
| **Heating (Tj)** | | | | | |
| Production | 2,464 | 2,131 | 1,956 | 2,193 | 2,239 |
| Exports | 0 | 0 | 0 | 0 | 0 |
| Imports | 0 | 0 | 0 | 0 | 0 |

Source: IEA statistics database.

4.76. Chart 4.3 details the fuel mix of electricity produced in North Macedonia in 2012 and 2016.

**Chart 4.3 Electricity generation by fuel**



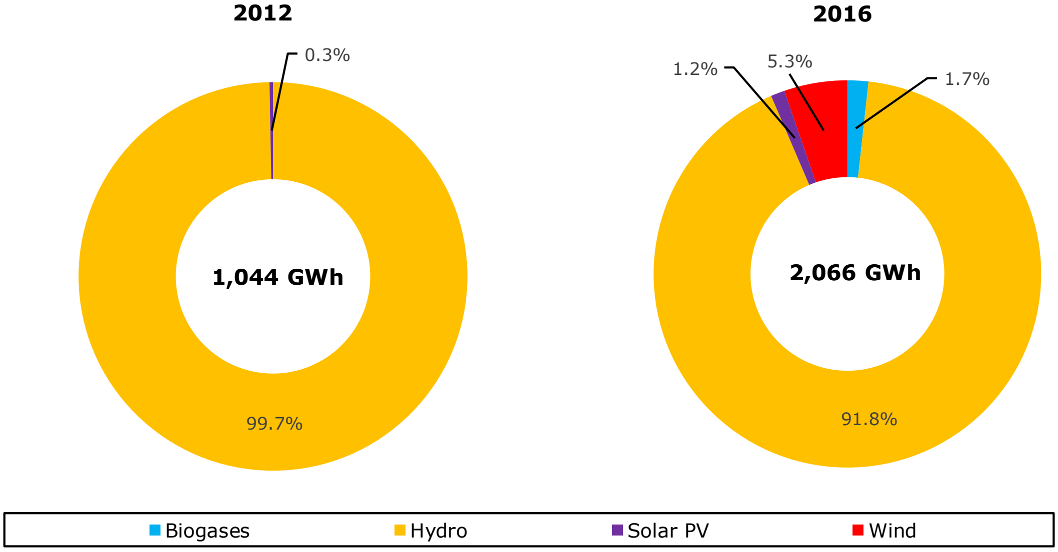

Note: Other includes electricity generated from wind, oil, biofuels, and solar photo voltaic (PV).

Source: IEA statistics database.

4.77. Between 2012 and 2016, the share of coal, while still dominant, fell from three quarters to around one half of the total electricity generated, while the share of hydroelectricity nearly doubled, from one sixth to one third. The share of gas also more than doubled, from 4.8% to 10.1%. Production declined during the period under review.

4.78. The shares of the various sources of renewable energies in 2012 and 2016 are described in Chart 4.4.

**Chart 4.4 Electricity generation from renewables, by source**

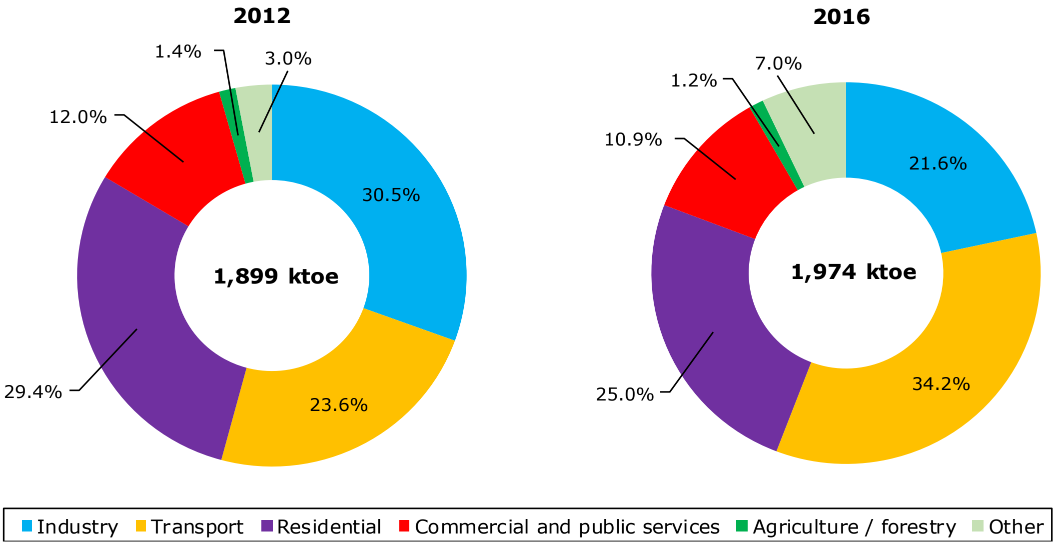



Source: IEA statistics database.

4.79. Electric production stemming from renewable sources nearly doubled in just four years, and notably diversified even though hydro-electricity still accounts for a very dominant share of the production.

4.80. Chart 4.5 details the consumption by type of user for 2012 and 2016.

**Chart 4.5 Total final consumption of energy, by type of consumer**




Note: Other refers to non-specified and non-energy use.

Source: IEA statistics database.

4.81. The Energy Law transposed the EU Third Energy Package, fully unbundled the sector, and instituted the free choice of providers for all customers. Some by-laws remain to be adopted regarding, in particular, the universal supplier and the supplier of last resort for customers that choose the regulated prices segment of the market.

4.82. The main electricity generation company is the state-owned utility Elektrani na Makedonija (ELEM), but the main operator of the distribution network, EVN Elektrodistribucija Skopje (EVN), also owns several hydro-power plants.

4.83. Electricity generation is fully unbundled from electricity transmission, through the ownership model, whereby the main generator, ELEM, and the transmission operator (currently MEPSO, soon to be replaced by a new company, NEMO) belong to two different branches of the Government, acting independently. Distribution is a third, independent segment whose main operator is EVN. ELEM also operates a small closed distribution network, ELEM Energetika, and has a licence to supply customers in a limited geographic area. A new type of actor, the electricity trader, is still to be created.

4.84. Access to the system and to the network is in line with the Third Energy Package acquis, since tariffs are approved and published, and interconnection capacities are allocated via the coordinate auction platform or joint auctioning. Balancing services are not provided anymore at regulated prices because the transmission system operator started procuring balancing services in a non-discriminatory and market-based manner.

4.85. At the retail level, the new Energy Law introduces eligibility and, hence, the possibility for consumers to switch suppliers. Regulated prices remain available to individual households and small industry (less than 50 employees and EUR 10 million turnover) via the universal supplier which is also be the supplier of last resort. The ERC launched a tender for the selection of that universal supplier in March 2019. Both ELEM and EVN bid, and EVN won the contract for five years. The precise modalities of regulated tariffs still have to be determined by the ERC. The existing rules on customer protection, and especially protection of vulnerable customers, are expected to be revised soon in accordance with the new Law.

## 4.3 Manufacturing

4.86. Table 4.19 describes the share of manufacturing within total GDP and total employment, as well as the contribution to GDP and employment, exports and imports, of the main manufacturing sectors from 2012 to 2017. It shows that the increase of total manufacturing within GDP is mainly due to the third largest manufacturing sector, that of motor vehicles, trailers and semi-trailers, whose share of total manufacturing value added grew more than ten-fold between 2012 (0.6%) and 2016 (7.1%).

### Table 4.19 Manufacturing sector, 2012-17

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| **Value added at current prices (EUR million)[a]** | **776.6** | **808.0** | **937.7** | **1,067.0** | **1,186.7** | **1,269.7** |
| % of total value added | 11.8 | 11.4 | 12.6 | 13.5 | 14.2 | 14.6 |
| Major manufacturing activities (% of total manufacturing value added) | | | | | | |
| Food and beverages | 15.9 | 20.9 | 20.3 | 19.4 | 19.3 | .. |
| Wearing apparel | 17.1 | 17.5 | 16.4 | 13.9 | 14.1 | .. |
| Machinery and equipment n.e.c. | 9.3 | 3.4 | 7.6 | 11.0 | 12.9 | .. |
| Motor vehicles, trailers and semi-trailers | 0.6 | 1.3 | 3.8 | 6.5 | 7.1 | .. |
| **Employment ('000)[a]** | **126.9** | **131.5** | **132.9** | **137.2** | **137.6** | **143.3** |
| % of total employment | 19.5 | 19.4 | 19.3 | 19.4 | 19.0 | 19.3 |
| Major manufacturing activities (% of total manufacturing employment) | | | | | | |
| Wearing apparel | 33.0 | 31.3 | 29.5 | 28.5 | 27.1 | 25.5 |
| Food and beverages | 16.8 | 16.6 | 16.02 | 16.8 | 18.4 | 19.1 |
| Motor vehicles, trailers and semi-trailers | 1.20 | 3.82 | 6.90 | 9.5 | 9.2 | 11.8 |
| Fabricated metal products, except machinery and equipment | 6.39 | 6.21 | 5.69 | 5.4 | 5.7 | 5.4 |
| Furniture | 3.41 | 3.50 | 3.43 | 3.7 | 5.6 | 5.1 |
| **Trade[b]** | | | | | | |
| **Exports (% of total merchandise exports)** | | | | | | |
| Iron and steel | 20.8 | 18.7 | 14.7 | 12.8 | 9.5 | 8.7 |
| Chemicals | 16.9 | 19.5 | 21.2 | 22.8 | 24.0 | 24.0 |
| Other semi-manufactures | 3.2 | 2.9 | 2.8 | 3.2 | 3.1 | 3.2 |
| Machinery and transport equipment | 9.9 | 13.3 | 21.0 | 24.7 | 27.8 | 29.5 |
| Non-electrical machinery | 5.2 | 7.0 | 9.3 | 11.4 | 12.4 | 11.3 |
| Electrical machines | 3.6 | 4.9 | 9.0 | 10.1 | 11.2 | 13.4 |
| Transport equipment | 1.2 | 1.4 | 2.8 | 3.2 | 4.2 | 4.8 |
| Textiles | 1.5 | 1.8 | 1.6 | 1.5 | 1.6 | 1.4 |
| Clothing | 15.0 | 14.6 | 13.6 | 11.8 | 10.7 | 9.3 |
| Other consumer goods | 4.4 | 4.6 | 4.9 | 5.4 | 5.7 | 6.3 |
| **Total manufacturing** | 71.8 | 75.4 | 79.9 | 82.0 | 82.5 | 82.3 |

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| **Imports (% of total merchandise imports)** | | | | | | |
| Iron and steel | 5.7 | 5.5 | 5.0 | 5.1 | 5.2 | 5.5 |
| Chemicals | 11.3 | 13.2 | 11.3 | 11.9 | 11.8 | 11.2 |
| Other semi-manufactures | 8.4 | 9.1 | 9.5 | 10.5 | 11.7 | 11.6 |
| Machinery and transport equipment | 15.8 | 17.6 | 18.8 | 20.3 | 21.4 | 21.7 |
| Non-electrical machinery | 5.0 | 6.2 | 5.8 | 6.0 | 6.0 | 5.6 |
| Electrical machines | 6.5 | 7.3 | 8.5 | 9.2 | 9.9 | 10.7 |
| Transport equipment | 4.4 | 4.1 | 4.4 | 5.0 | 5.5 | 5.4 |
| Textiles | 6.8 | 7.3 | 7.3 | 7.1 | 6.7 | 6.5 |
| Clothing | 1.0 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 |
| Other consumer goods | 4.9 | 5.3 | 5.3 | 5.5 | 6.0 | 5.6 |
| **Total manufacturing** | **53.9** | **59.0** | **58.2** | **61.4** | **64.1** | **63.2** |

.. Not available.

a The National Classification of Activities harmonized with the NACE Rev.2.
b SITC Rev. 3.

Source: WTO Secretariat calculations, based on the State Statistical Office MakStat database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx; and UNSD Comtrade.

4.87. North Macedonia managed, in recent years, to integrate successfully into the value chain of the global automotive industry by producing relatively labour-intensive parts (e.g. seats). The investment regime (Section 2.4), the incentives put in place by the Government (Section 3.3.2), and the creation of TIDZs (Section 3.2.4) were certainly instrumental in this positive evolution. However, North Macedonia's manufacturing remains confronted with numerous challenges, such as a still suboptimal transport infrastructure (Section 4.4.3.1), rising wages, lack of research, lack of links between multinationals installed in the TIDZs and local companies, lack of specialization, and standards issues.[23]

4.88. The new (2018-27) Industrial Strategy and its initial Action Plan (2018-20), adopted by the Government in November 2018, is aimed at tackling these challenges in a systematic manner. It considers that the previous industrial strategy had some successes but also weaknesses, and that there is a need to secure greatly increased state funding, to supplement state funding with donor/IFI funding, and to secure effective leadership, coordination, public private dialogue, reporting, and monitoring.

4.89. The new Strategy refocuses on manufacturing. Its basic mission is to "promote industrialization by stimulating the growth and development of the manufacturing sector in order to boost productivity, create good jobs, raise incomes and strengthen human capital, while addressing the challenges of the circular economy". It draws on the recent EU Commission communications on a revised EU Industrial Policy[24], which sets several inter-related policy objectives: empowering people through the single market, going digital, building a circular and low carbon economy, investment, innovation and a cross cutting international dimension.

4.90. It is articulated along six strategic objectives, namely:

- reinforcing the manufacturing foundation of the economy;
- raising manufacturing productivity, innovation and technology transfer;
- catalyzing green industry/manufacturing;
- stimulating manufacturing export (Section 3.2.4);

[23] *Seizing a Brighter Future for All: Former Yugoslav Republic of Macedonia, Systematic Country Diagnosis*, World Bank, 29 November 2018, pp. 242-251. Viewed at: http://pubdocs.worldbank.org/en/606381543434479145/MKD-SCD-2018-ENG-Web.pdf.

[24] Commission Communication Industrial Policy: Reinforcing Competitiveness (COM (2011) 0642); Commission Communication (COM (2012) 582/3); A Stronger European Industry for Growth and Economic Recovery (COM (2014) 0014); For a European Industrial Renaissance and Commission Communication (COM (2017) 479); Investing in a Smart, Innovative and Sustainable Industry - A renewed EU Industrial Policy Strategy.

- building a learning manufacturing sector; and
- a cross-cutting objective of implementation and coordination.

**Table 4.20 Strategic objectives and operationalizing measures of the Industrial Strategy**

| 1. Reinforce the manufacturing foundation | 2. Raise productivity, innovation and technology transfer | 3. Catalyze green industry and green manufacturing | 4. Stimulate manufacturing export | 5. Build a learning manufacturing sector |
|---|---|---|---|---|
| Identify and target support to priority manufacturing subsectors, through smart specialization | Strengthen the institutional base for technology transfer/extension /absorption in support of the manufacturing sector (various EGP measures) | Undertake green regulatory reform | Institutional strengthening of export policy, with a focus on manufacturing | Increase manufacturing access to EU competitiveness and innovation funds |
| Maximize the capacity of the Economic Growth Plan (EGP) to be effective | Raise innovation levels among enterprises (EGP measure 3.3) | Green public procurement for high-impact goods and services | Strengthen FDI and export through economic diplomacy | Establish and strengthen technological and research departments (EGP measure 1.3) |
| Focus FDI policy on the manufacturing sector | Support fast-growing SMEs (Gazelles) with technological development (EGP measure 3.1) | Embed sustainability as a core business strategy for manufacturers | Support for winning new markets and increase in sales (EGP measure 2.2) | Support to SMEs for professional upgrade and practice for newly-employed young people (EGP measure 3.4) |
| Stimulate investment (EGP measures 1.4, 1.5 and 1.6) | Strengthen linkages between foreign investors and domestic manufacturers (EGP measure 1.2) | Support industry-led green manufacturing initiatives (greening value chains) | Support to increase competitiveness in new markets (EGP measure 2.1) | Strengthen the links between universities and manufacturing firms |
| Develop TIDZs with a manufacturing focus | Identify and support manufacturing key emerging technologies (KETs) and smart factories (industry 4.0 and factory 4.0) | Develop Industrial and Green Zones (IGZs) with a manufacturing focus | Manufacturing export readiness support programme | Awareness-raising and training on circular economy, green industry/manufacturing, closed-cycle manufacturing, energy efficiency, and clean production |
| Further development of industrial clusters with a focus on innovation and competitiveness | | Stimulate resource /energy efficiency and low carbon/resource efficiency/best available techniques in the manufacturing sector | Leverage manufacturing export through international standards | Establish a MakerSpace to encourage a maker mindset |
| Support the establishment of value chains with a manufacturing focus, and link firms to global value chains | | Support SMEs with remanufacturing | Establish an export point of contact | Technical expertise for domestic SMEs (financial support for micro firms – EGP measure 3.2) |
| Creating conditions and preparation of legal bases for development of venture capital for manufacturing firms (EGP measure 3.5) | | Support SMEs with additive manufacturing/3D printing | Integrate export promotion information | International experts for domestic companies with a focus on manufacturing |
| | | | Support to the export accelerator for SMEs | |

Source: Ministry of Economy, *Industrial Strategy with a Focus on the Manufacturing Sector*, October 2018.

## 4.4 Services

### 4.4.1 Telecommunications services

4.91. The telecommunications sector of North Macedonia is largely liberalized, and offers a dynamic competitive landscape, although prices remain relatively high by international standards.

4.92. Box 4.1 provides the main economic indicators of the sector, while Table 4.21 details the main tariffs applicable by type of telecom product for the last year available, 2017. The decline in the number of subscriptions and the number of mobile subscriptions does not necessarily reflect a lower penetration rate. These declines are due to two factors: the progressive disappearance of fixed lines; and, as far as mobile telephony is concerned, the fact that consumers often had subscriptions with two or three operators to avoid prices discrepancies between on-net communications (i.e. between two customers with the same operator) and off-net communications (i.e. between customers with two different operators). Two of these operators merged during the period under review, and the differences between off-net and on-net prices were eliminated; hence there was no longer a need for multiple mobile subscriptions.

### Box 4.1 Main economic indicators in the telecom sector

Total telephone subscribers (per 100 inhab.): 2013 - 127.71; 2017 - 114.5

Mobile phone subscribers (% tot. tel. subscribers): 2013 - 94.56; 2017 - 84.94

Internet users (per 100 inhab.): 2013 - 55.28; 2017 - 78.24

Broadband Internet subscribers (per 100 inhab.): 2013 - 16.41; 2017 - 19.11

Total telecommunications revenues (USD million): 2014 - 434; 2015 - 319; 2016 - 310

Mobile revenues (USD million): 2014 - 171; 2015 - 126; 2016 - 122

Average Revenue Per User (ARPU) mobile subscriptions (USD/subscription/month): 2014 - 6.4; 2015 - 5; 2016 - 5

**Main actors**
Names and market shares of the leading companies for fixed telecom services (2018): Makedonski Telecom (57.05%); One.VIP (rebranded "VIP" in May 2016) (32.05%); Robi (6.81%); Neote (3.14%); Infel Net Plus (0.9%); Cable Call (0.05%)

Name and market shares of the leading companies for mobile telephones services (2018): One.VIP (49.28%); Makedonski Telecom (47.18%); Lycamobile (3.54%)

Name and market share of the broadband Internet services (2018): Makedonski Telecom (40.04%); One.VIP (29.7%); Robi (16.57%); Inel International (1.34%); Cabel Net (1.31%); Multimedia Net (1.29%); Cable Call (0.96%); other (7.91%)

Foreign ownership participation in telecom companies:
- Makedonski Telecom: Deutsche Telekom (via Magyar Telecom) (56.67%); Government (34.8%); International Finance Corporation (1.64%); other minority shareholders (6.89%)

- One.VIP: Austria Telekom (part of the America Movil group) (100%)

**Establishment of new companies, mergers or closures since the last Review**
- Telecom Slovenije's subsidiary, One, and Austria Telekom's subsidiary, VIP, merged in October 2015 to form One.VIP;

- Makedonski Telecom and T-Mobile merged in July 2015;

- The cable operator Blizoo combined its operations with its sister company One.VIP in May 2016;

- Lycamobile, a Mobile Virtual Network Operator (MVNO), started operations in July 2016; and

- Telekom Slovenije withdrew from One.VIP in November 2017 by selling its 45% stake to Austria Telekom, the majority owner of the company

Source: Information provided by the authorities.

**Table 4.21 Telecommunication prices, 2017**

| Type of service | Worldwide ranking | Unit | Price expressed in USD, in purchase power parity (PPP) terms |
|---|---|---|---|
| Mobile-cellular basket | 108 | ITU basket[a] | 25.49 |
| Mobile-cellular prices (on-net)[b] | 168 | Per-minute local call | 0.08 |
| Mobile-cellular prices (off-net)[c] | 168 | Per-minute local call | 0.08 |
| Mobile-cellular prices to fixed-telephones | 168 | Per-minute local call | 0.08 |
| SMS | 168 | Local SMS | 0.21 |
| Fixed-broadband prices | 164 | Residential monthly subscription | 34.7 |
| Mobile-broadband basket, prepaid | 76 | Handset-based (500 MB) | 10.82 |
| Mobile-broadband basket, postpaid | 71 | Computer-based (1 GB) | 12.99 |

a The mobile-cellular basket refers to the price of a standard basket of mobile monthly usage for 30 outgoing calls per month (on-net/off-net to a fixed line, for peak and off-peak times) in predetermined ratios, plus 100 SMS messages. For more elements of the ITU methodology, see: *Measuring the Information Society, Report 2018, Volume 1*, pp. 157-171. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Pages/publications/misr2018.aspx.
b Between two customers with the same mobile operator.
c Between two customers with different mobile operators.

Source: ITU, *Measuring the Information Society, Report 2018, Volume 1*.

4.93. The Agency for Electronic Communications (AEC), created in 2005, is the independent regulator, with full enforcement powers, including fines, for the sector, while the Ministry of Information Society and Administration is the main policy maker in charge of telecommunications and information and computer technologies. The AEC and the Competition Authority cooperate regarding telecommunications competition matters.

4.94. The telecommunication policy of North Macedonia is geared towards the transposition of the EU *acquis*. In that respect, it transposed the 2009 EU regulatory framework for communications[25] into the 2014 Law on Electronic Communication[26], its main telecommunication legislation. For this reason also, the GATS commitments undertaken for telecommunications by North Macedonia, during its accession process to the WTO, largely reflect those of the European Union.

4.95. According to ITU data, the telecommunication regime is overall very liberal, with the following activities fully open to competition since as early as 2005[27]: local fixed lines; domestic fixed long distance; international fixed long distance; international mobile telephony (3G and 4G); digital subscriber lines; cable-modems; fixed wireless broadband; leased lines; Internet services; and cable television. Full wholesale access to the incumbent fixed network was particularly instrumental in this liberalization process.

4.96. According to observers[28], although the fixed telephony market was liberalized, the incumbent, Makedonski Telecom, continues to dominate the sector. Broadband services are widely available, with effective competition between Digital Subscriber Line (DSL) and cable platforms complemented by wireless broadband and a developing fibre sector.

4.97. In 2016, the AEC issued the Rules for Access to Public Electronic Mobile Networks[29], setting the conditions of operations of MVNOs in the country. Following this opening, the UK-based MVNO, Lycamobile, started operations in July 2016.

[25] For a detailed overview of this framework, see: https://ec.europa.eu/digital-single-market/sites/digital-agenda/files/Copy%20of%20 Regulatory%20Framework%20for% 20Electonic%20 Communications%202013%20NO%20CROPS.pdf.
[26] Official Gazette Nos. 39/2014, 188/2014, 44/2015, 193/2015, 11/2018, and 21/2018.
[27] ITU. *Country Profile of North Macedonia*. Viewed at: https://www.itu.int/net4/itu-d/icteye/CountryProfile.aspx.
[28] Viewed at: https://www.budde.com.au/Research/Macedonia-Telecoms-Mobile-and-Broadband-Statistics-and-Analyses.
[29] Official Gazette No. 94/2016.

4.98. During the period under review, only one complaint was lodged under the dispute settlement system for interconnection disputes among operators. The case was launched in 2018, and opposed Makedonski Telecom and One VIP regarding termination process issues.

4.99. The criteria of significant market power are a market share of 40% on the relevant market combined with the assessment of other factors. In a recent decision, applicable as of the first quarter of 2019, the AEC reduced the number of relevant markets susceptible to ex-ante regulation from 14 to 6. The AEC actively imposes remedies on operators with significant market power, such as price control based on the Long-Run Average Incremental Cost (LRIC) method or ex ante price control; transparency, through the publication of Reference Interconnection Offers (RIOs) and of charges; terms and conditions; accounting separation; carrier selection and preselection; obligation of interconnection and access; and use of specific network elements.[30]

4.100. The AEC also imposed a cost orientation model to the following services: fixed interconnection and local loop unbundling; dark fibre and duct; wholesale mobile access and call-originating services; and mobile call termination.

4.101. Number portability was introduced in 2008, in terms of change of both geographic area and operator. The regulatory regime did not change. As at 30 June 2017, 215,811 mobile customers and 173,986 fixed telephone customers had used that option.

4.102. In 2013/2014, the two main operators started to deploy 4G/LTE networks. A National Broadband Operational Plan, prepared by the Ministry of Information Society and Administration, is undergoing a process of public consultation. One chapter of this Plan deals with 5G. According to the Plan, frequencies in the 700 MHz band will be available after 30 June 2020. Frequencies in the 3, 4-3, and 8 GHz bands are already available.

4.103. The method of attribution of spectrum licences to operators is variable. From 2012 to 2014, nine allocations took place, six based on auctions, two on so-called "beauty contests" (i.e. comparative selection), and one on a first-come-first-served basis. The last version of the National Plan for frequency allocations dates from 2016. All frequencies are technology and service neutral, so every technology standardized by the European Telecommunication Standards Institute (ETSI) can be used. Since 2014, no auctions took place; however, an auction of one licence for 2x15 MHz in the 2100 frequency band is planned.

4.104. The licensing process is based on a general authorization regime, covering all publicly-available electronic communications networks and services. Annual fees are based on annual revenues, and are progressive, ranging from 0.07% on annual revenues below MKD 1 million to 0.35% on revenues above MKD 500 million; however, these fees cannot exceed EUR 250,000 per year.

4.105. In terms of transparency, Article 105 of the Electronic Communication Law obliges the AEC, prior to the adoption of a regulation, to obtain and take appropriate account of the opinion of interested parties, and to make them publicly available on its website.

4.106. Regarding roaming fees, there are ongoing consultations, under Regional Cooperation Council (RCC) supervision, among six Western Balkans countries, to abolish roaming fees between them.

4.107. The universal service covers fixed-line private residential services, fixed-line public payphones, broadband and directory services. Broadband was added in 2017. The universal service is funded by a universal service fund, operational since 2006, and is based on a contribution by all operators of 0.35% of their total gross revenues. The fund is administered by the telecom regulator.

[30] For more elements on the various cases and the remedies imposed, see Cullen International Report 4 – *Supply of services in monitoring regulatory and market developments for electronic communications and information society services in Enlargement Countries*, 2011-2014, Annex, Cross-country comparative data, February 2014, pp.151-154. Viewed at: http://www.aek.mk/index.php?option=com_k2&view=item&id=1538:cullen-international-report-4-february-2014&Itemid=659&lang=en.

### 4.4.2 Financial services

#### 4.4.2.1 Overview

4.108. The financial services sector accounts for around 3.0% of GDP and 1.5% of employment (Box 4.2). These shares remain broadly the same as at the time of the previous Review.

**Box 4.2 Financial services: statistical overview, 2013 and 2017**

| |
|---|
| Share of financial services in GDP<br>2013: 2.8%<br>2017: 3.0% |
| Share of financial services in total employment<br>2013: 1.4%<br>2017: 1.5% |
| Financial services exports<br>2013: EUR 2.7 million<br>2017: EUR 3.4 million<br><br>Financial services imports<br>2013: EUR 26.1 million<br>2017: EUR 30.2 million |
| Significance of the financial services arm of the post office: the post office does not collect deposits |

Source: Information provided by the authorities.

4.109. North Macedonia's overall financial services policy is geared towards preparing the negotiation of adhesion to the European Union and, hence, towards transposing the EU acquis and adapting the country's institutions in that perspective. The 2018 EU Commission staff document on the country[31] considers that it remains moderately prepared regarding financial services. It acknowledges that some progress was made on the implementation of regulations and strengthening the enforcement capacity of financial market regulators, but that consumer protection issues, in particular, should be addressed.

4.110. The GATS financial services commitments of North Macedonia largely reflect those of the European Union.

#### 4.4.2.2 Banking services

4.111. Box 4.3 below provides statistical indicators on the banking sector during the period under review.

**Box 4.3 Statistical overview of the banking sector, 2013 and 2017-18**

| |
|---|
| Number and types of banks, and recent consolidations<br><br>2013: 16 banks, of which 11 foreign-controlled banks, 1 state-owned bank, and 4 domestic private banks<br><br>2018: 15 banks, of which 11 foreign-controlled banks (6 subsidiaries of foreign banks and 5 owned by non-bank foreign shareholders), 1 state-owned bank, and 3 domestic private banks<br><br>Consolidation: in 2014, one domestic bank was acquired by a foreign-controlled bank<br><br>Banking network<br><br>2013: 426 access points (branches and tellers), employing 6,048 people<br><br>2017: 427 access points (branches and tellers), employing 5,929 people |

[31] Commission Staff Working Document, *The former Yugoslav Republic of Macedonia 2018 Report*, SWD (218) 154 final, 17 April 2018, pp. 61-62. Viewed at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0154&from=GA.

| |
|---|
| Concentration/share of the various types of banks in the total balance sheet for banks<br><br>2013: foreign-controlled banks (68.3%); domestic private banks (27.9%); and state-owned banks (3.8%)<br><br>2018: foreign controlled banks (71%); domestic private banks (26.6%); and state-owned bank (2.4%)<br><br>Total balance sheet of the banking sector<br><br>2013: MKD 369 billion (foreign-controlled banks: MKD 252.4 billion; domestic private banks: MKD 102.6 billion; state-owned banks: MKD 14.0 billion)<br><br>2018: MKD 472.8 billion (foreign-controlled banks: MKD 335.7 billion; domestic private banks: MKD 125.8 billion; state-owned banks: MKD 11.3 billion) |
| Lending activities<br><br>2013: MKD 230.1 billion (of which credits to non-residents: 0.4%)<br><br>2018: MKD 303.0 billion (of which credits to non-residents: 0.1%)<br><br>Six banks are mainly oriented towards lending to non-financial companies, five mostly lend to households, three equally finance the two sectors, while one places credits through the other banks (as the state-owned financial intermediary for approved credit lines from international financial institutions).<br><br>Non-performing loans (NPL):<br><br>2013:11.5%<br><br>2017: 6.3% |
| Securities activities (securities holdings in bank accounts)<br><br>2013: MKD 62.4 billion<br><br>2018: MKD 59.8 billion |

Source: Information provided by the authorities.

4.112. The Ministry of Finance is responsible for the coordination and strategic management of international financial, monetary and tax matters, while the National Bank (NBRM) is the sector's supervisor, notably in charge of monitoring bank liquidity and overseeing payment and settlement systems. Competition issues are dealt with by the Commission for the Protection of Competition. There were no major changes to the regulatory framework on banking services during the period under review. The most notable regulatory reform was a 2016 amendment to the Banking Law[32], which incorporates the capital framework of Basel 3 requirements, the Basel Core Principles for Effective Banking Supervision, and the Basel Core Principles for Good Corporate Governance. In order to further strengthen the stability of the banks in the country, the changes mainly refer to the introduction of the capital buffers, which enhances the capacity of banks to adequately manage the risks associated with their activities and absorb the losses that could arise in their operational business.

4.113. The main reform planned is the adoption, in 2020, of a special Law on Resolution, in order to transpose Directive 2014/59/EU on the establishment of a framework for recovery and resolution of credit institutions and investment firms. During the period under review, North Macedonia also adopted a series of by-laws, aimed at strengthening the institutional and operational framework of banks.[33]

[32] Official Gazette No. 190/16.

[33] Notably: the Decision on amending the Decision on the methodology for determining the capital adequacy (Official Gazette No. 218/16), the Decision on the methodology for determining systemically important banks (Official Gazette No. 26/17), the Decision on the methodology for developing a recovery plan for systemically important banks (Official Gazette No. 26/17), the Decision on the Methodology for Determining the Rate of the Countercyclical Capital Buffer for Exposures (Official Gazette No. 26/17), the Decision on the methodology for determining maximum distributable amounts of earnings (Official Gazette No. 26/17), the Decision on the methodology for managing leverage risk (Official Gazette No. 26/17), the Decision on the

4.114. North Macedonia also transposed of series of pieces of legislation of the EU banking acquis, notably: the single rule book of prudential requirements for banks capital liquidity and leverage (CRDIV-CRR) and the Regulation on Prevention, Management and Resolution of Bank Crises (BRRD), and plans, in the medium term, to transpose the Money Market Funds Regulation on Shadow Banking. Regarding banks and financial conglomerates, the 2018 EU Commission staff document on the country[34] considers that, whereas the implementation of the Capital Requirements Directive IV package has started, notably regarding capital adequacy standards, the legislation does not yet designate a bank resolution authority. It also acknowledges that strong policy measures by the Central Bank in 2015 were crucial in preserving the banking sector's stability. It notes that, concerning the financial market infrastructure, a reserve guarantee fund for small interbank payments was established, and that these reserves are sufficient to settle the possible daily negative net exposure of banks. While the rules by the Central Securities Depositary prescribe when transactions are final and irrevocable, their alignment with the Settlement Finality Directive is yet to be finalized. Alignment with the Financial Collateral Directive remains, however, incomplete.

4.115. Regarding the licensing of new banks, in addition to the standard prudential criteria applicable to local banks, foreign banks and/or foreign entities with participation in a foreign bank that intend to acquire control in a bank should submit to the National Bank additional documentation. These include: (a) a certificate from the registry of the head office of the foreign bank and/or foreign person who has a participation in a foreign bank; (b) proof that the foreign bank is authorized to collect deposits and other repayable sources of funds in the country of registration of the bank's head office; (c) an opinion of the competent authorities in the country in which the head office of the foreign bank is registered, relating to the acquiring control in the bank; and (d) evidence that the competent authority of the foreign bank exercises adequate supervision on a consolidated basis, at least in a method and volume specified by banking laws.

4.116. The statutory maximum delay to process licence applications is 180 days for temporary licences and 90 days for licences for founding and operating banks, with an interim period of 180 days for the fulfilment of all requirements stipulated in the banking law necessary for issuance of the licence for founding and operating a bank. There is no limitation on the duration of the licence if the criteria are fulfilled. It is not possible to sell the bank licence, or to dispose of it. Only the Governor of the National Bank may withdraw a banking licence and initiate bankruptcy or liquidation procedures (including voluntary liquidation). The minimum initial capital requirement to obtain a licence is MKD 310 million (EUR 5 million).

4.117. There is no administrative allocation of financial resources, and the determination of interest rates and fees are market-based.

4.118. North Macedonia has a bank deposit insurance scheme. It was instituted by the Law on Deposit Insurance Fund, 2000, last amended in 2010.[35] The scheme is managed by the Deposit Insurance Fund. It covers deposits of resident and non-resident households (natural persons), kept at a bank, foreign-bank branch or a saving house of the following types: transaction accounts; denar and foreign currency deposits; certificates of deposit; payment card deposits; and foreign currency inflows belonging to natural persons. The maximum amount insured is EUR 30,000 (in MKD equivalent) for a deposit in a bank, foreign-bank branch or savings house. The reimbursed amount is comprised of the principal deposit and of the interest calculated to the day the risk event occurred. The resources of the Fund are composed of the founding capital, the collection of deposit insurance premiums, and the revenues from investments. The resources of the Fund are invested in securities issued by the State and the National Bank, with maturity of up to 12 months from the date of purchase, and debt securities issued by foreign countries, central banks or public international financial institutions. These securities must be rated by at least two internationally-acknowledged credit risk assessment agencies, in one of the highest categories, up to the level of the insured foreign currency deposits.

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methodology for credit risk management - which shall apply as of 1 July 2019 (Official Gazette No. 149/18), and the Decision on good corporate governance rules for banks (Official Gazette No. 24/18).

[34] Commission Staff Working Document, *The former Yugoslav Republic of Macedonia 2018 Report*, SWD (218) 154 final, 17 April 2018, p. 62. Viewed at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0154&from=GA.

[35] Official Gazette Nos. 63/2000, 29/2002, 43/2002, 49/2003, 81/2008, and 158/2010. A consolidated English version of the text can be viewed at: https://www.finance.gov.mk/files/u11/Law%20on%20Deposit%20Insurance%20eng.pdf.

4.119. As part of the Financial Sector Assessment Programme (FSAP), during 2018, the IMF and World Bank conducted a detailed assessment of the North Macedonian banking sector compliance with the Basel Core Principles. Their conclusion was that the legislative base was strong and comprehensive, and the supervisory approach risk-based and supported by a well-developed supervisory regime. The highest grade - Compliant (C) - was given for 21 core principles, and Largely Compliant (LC), the second highest grade, for 8. As a consequence, North Macedonian banks now have a minimum level of capital adequacy ratio of 8%, a rate of core capital of 6%, and a rate of regular core capital of 4.5%. In addition, and apart from the internal capital requirements, all banks abide by the obligation to maintain a capital conservation buffer of 2.5% of the risk-weighted assets. Moreover, seven banks, designated by the National Bank as systemically important banks, abide by the additional requirement of a protective layer of capital.

4.120. According to the IMF staff concluding statement of the 2018 Article IV mission dated 19 November 2018, the banking system remains healthy, but risks need to be closely monitored, given underlying structural vulnerabilities. Banks are well-capitalized, liquid, and profitable. The share of NPLs has decreased, including due to NBRM-mandated write-offs, credit risks are well-provisioned, and banking supervision and regulations have been enhanced considerably over the past decade.

4.121. The in-depth FSAP also found scope for further improvement, including by ensuring the operational independence of the NBRM, boosting staffing levels, and intensifying supervision for systemically-important banks. The macro-prudential policy framework would benefit from further capacity building for systemic risk monitoring and enhanced inter-agency coordination, while ongoing efforts to modernize the crisis management and bank resolution regime should be promptly completed.

4.122. During the period under review, the National Bank completed the implementation of the existing regime on anti-money laundering, consisting of Law No. 4/2008 of January 2008 and two 2010 National Bank Decisions (Nos. 103/10 and 60/11). A new Decision on the Methodology on Managing the Money Laundering and Financing of Terrorism Risk (No. 78/18) became applicable as of 1 January 2019.

4.123. In addition, a new Law on Prevention of Money Laundering and Financing of Terrorism was adopted[36], and became applicable in July 2018. The new Law harmonizes the anti-money laundering (AML) regime with EU Directive 2015/849. The new Decisions of the NBRM[37] are based on the revised international AML standards (Financial Action Task Force recommendations and the EU Directive on AML), as is the revised NBRM regulation on corporate governance and risk management. The new Decision defines the inherent and aggregate level of AML risk, as well as the criteria and procedures for its management. It mandates a risk-based approach.

#### 4.4.2.3 Insurance services

4.124. Box 4.4 provides statistical indicators on the insurance sector during the period under review.

**Box 4.4 Statistical overview of the insurance sector, 2013 and 2017**

| **Insurance** |
|---|
| Number of insurance companies and recent consolidations<br><br>2013: 15 companies<br>4 life, of which 4 branches of foreign-insurance companies, zero reinsurance, zero captive;<br>11 non-life, of which 10 branches of foreign-insurance companies, 1 reinsurance, zero captive<br><br>2017: 16 companies<br>5 life, of which 5 branches of foreign-insurance companies, zero reinsurance, zero captive;<br>11 non-life, of which 10 branches of foreign-insurance companies, 1 reinsurance, zero captive |

[36] Official Gazette No. 120/18.
[37] Official Gazette Nos. 78/18, and 241/18.

| |
|---|
| Total balance sheet of the insurance sector<br>2013: EUR 226 million, of which life insurance: 19.12%; non-life: 80.88%<br>2017: EUR 326 million, of which life insurance: 30.14%; non-life: 69.86% |
| Concentration (cumulative market share of the top 5 companies)<br>2013: life insurance: 100%; non-life: 60.55%<br>2017: life insurance: 100%; non-life: 60.79% |

Source: Information provided by the authorities.

4.125. The Ministry of Finance, through its Financial System Department, is responsible for defining the insurance sector's policy, while the Insurance Supervision Agency (ISA) is in charge of supervision of the sector. Competition issues are dealt with by the Commission for the Protection of Competition.

4.126. The regulatory regime of insurance services is composed of: the Insurance Supervision Law, 2002, last amended in 2018[38]; the Law on Compulsory Automobile Insurance, 2005, last amended in 2015[39]; and 38 secondary legislative acts (by-laws) adopted by the ISA regulating different supervisory issues (15 on licensing, 17 on supervision and statistics, and 6 on accounting and financial reporting).[40]

4.127. North Macedonia transposed a series of pieces of legislation stemming from the EU insurance acquis, notably the Risk-based Prudential and Solvency Rules for Insurers Directive (so-called "solvency").

4.128. North Macedonia did not conclude any preferential arrangements on insurance services. Regarding supervision issues, the ISA concluded 14 MoUs with foreign insurance supervisory authorities, namely: Albania, Austria, Bulgaria, Croatia, Hungary, Kosovo, the Republic of Moldova, Montenegro, Poland, Romania, Serbia, Slovenia, the Slovak Republic, and Turkey.

4.129. According to the Insurance Supervision Law, insurance activities may only be carried out by: (a) an insurance undertaking with its head office in North Macedonia, that holds a licence for carrying out insurance activities by the ISA; (b) a branch office of a foreign insurance undertaking that has been granted a licence for carrying out insurance activities by the ISA; or (c) an insurance undertaking from an EU member State that has established a branch office in the territory of North Macedonia or has been authorized to directly carry out insurance activities in the national territory.

4.130. The insurance company can only be established as a joint stock company; no other legal forms are allowed. The minimum capital for establishing and operating an insurance company is:

- EUR 2 million, if the company carries out insurance activities in certain specific classes of insurance in the group of non-life insurance;
- EUR 3 million, if the company carries out insurance activities in all the classes of insurance in the group of non-life insurance;
- EUR 3 million, if the company carries out life insurance activities; and
- EUR 4.5 million, if the company carries out reinsurance activities.

4.131. The applicant for a licence must submit a three-year business plan to the ISA. Information required in this plan includes:

- the business policy of the future company, with an analysis of the reasons for the establishment of the company, its business goals, an overview of the market where the company will be active, and the target groups of customers;

[38] Official Gazette Nos. 27/2002, 98/2002, 79/2007, 88/2008, 67/2010, 44/2011, 112/2011, 188/2013, 30/2014, 43/2014, 112/2014, 153/2015, 192/2015, 23/2016, and 83/2018.
[39] Official Gazette Nos. 88/2005,70/2006, 81/2008, 47/2011, 135/2011, 112/2014, and 145/2015.
[40] The English texts of the laws and by-laws can be viewed at: www.aso.mk.

- the lines of insurance products planned;
- its reinsurance policy, including tables for maximum coverage for all lines of business insurance;
- a calculation of the required solvency margin;
- the planned amount of the costs for the establishment, organizational costs and development costs;
- a liquidity assessment and an indication of the sources of financing required to fulfil the obligations and provide the required level of solvency margin; a projection study on the expected business results for at least three years, primarily on the expected income from premiums, the expected claims, expenses for performing insurance, expected profit, and the amount of technical and other provisions;
- a description of the management and internal control systems;
- the location of the headquarters of the company, and the potential number and location of subsidiaries, branches, and other organizational forms, as well as the deadline when the company intends to open them;
- the organizational structure of the company, with a special description of the scope of work and the responsibilities of persons with special rights and the responsibilities of each organizational unit, inter-relations and relations with the management and supervisory bodies of the company, and a description of the required number of employees and their qualifications; and
- the specification of the assets available required to meet the non-monetary liabilities (assistance funds), if the insurance company intends to conduct travel-insurance activities.

4.132. Life and non-life insurance licences are incompatible, except for in one case: a life insurance company can also provide complementary accident and health insurance. There is no limitation on the number of licences, and no differential treatment of foreigners in the licensing process. The maximum processing time for applications is four months. There is no specified duration of validity for licences. The licence cannot be sold or disposed of. No prior approval is needed for launching new insurance products or for changing the insurance policy terms and conditions. In such occurrences, the insurance companies are simply obliged to inform the ISA.

#### 4.4.2.4 Stock exchange and securities

4.133. Box 4.5 below provides statistical indicators on the stock exchange and securities sector during the period under review.

**Box 4.5 Statistical overview of the stock exchange and securities sector, 2013 and 2017**

| |
|---|
| Capitalization of the companies listed<br><br>2013: EUR 1.77 billion (i.e. the equivalent of 27.95% of GDP in the same year)<br><br>2017: EUR 2.27 billion (i.e. the equivalent of 17.66% of GDP in the same year) |
| Gross value of publicly issued bonds<br><br>In the period 2013-17, there was only 1 issuance of corporate bonds, in 2017, of a total value of EUR 1 million, by Kapital Banka JSC Skopje through private placement for 3 institutional investors, 1 from Bulgaria (Alfa Bond EAD Sofia) and 2 from North Macedonia (KB Publikum Balansiran and KB Publikum bonds). |
| Securities turnover on the stock exchange (secondary market)<br><br>The turnover is generated from trading of domestic shares and of domestic bonds for denationalization, i.e. bonds issued by the Government to compensate for post-WWII nationalizations, that can be traded on the market.<br><br>In 2013, the turnover of shares was EUR 40.75 million, while the turnover of bonds was EUR 11.84 million.<br><br>In 2017, the turnover of shares was EUR 74.13 million, while the turnover of bonds was EUR 2.91 million |

Source: Information provided by the authorities.

4.134. The supervisory authority and licensing organ for the stock market and securities is the Securities and Exchange Commission, and the Ministry of Finance is in charge of the overall strategy and policy.

4.135. The licensing procedures for securities market participants (stock exchanges, the central securities depositary, brokerage houses, brokers, and investment advisors) are regulated by the Law on Securities, 2005, last amended in 2018[41], and the Law on Investment Funds, 2016[42] Amendments to this Law, in order to transpose the UCITS IV EU Package, are being prepared, and their adoption by Parliament is expected in the first half of 2019. During the period under review, North Macedonia transposed various pieces of legislation stemming from the EU securities acquis, notably the Enhanced Framework for Securities Market (MIFID/R), the Enhanced Framework to Prevent Market Abuse (MAD/R), the Central Securities Depository Regulation, and the EU new rules on prospectuses. North Macedonia is also planning to transpose, in the medium-term, the Hedge Funds and Private Equities Directive (AIFMD) and the Derivatives Regulation (EMIR).

4.136. A foreign brokerage house, which is licensed to perform all or some services related to securities in any member country of the OECD, shall be allowed to perform those services in the national territory through the establishment of a subsidiary which obtains a licence issued by the Securities and Exchange Commission.

4.137. Similarly, the three types of foreign investment fund management companies (closed ended, open ended, and private funds) may offer units from managed investment funds in the national territory only through the establishment of a subsidiary which obtains a licence issued by the Securities and Exchange Commission.

4.138. According to the Law on Joint Stock Companies, a central security depositary can only be established as a joint stock company with its head office in North Macedonia. It may be established by brokerage houses, banks, insurance companies or fund management companies. Its functions cannot be performed without a licence from the Securities Exchange Commission. The depositary must, at all times, hold and maintain a basic capital of at least EUR 500,000 (in MKD equivalent), from the date when the licence for founding the depositary is obtained.

4.139. A broker can perform services related to the execution of client orders, informing clients of the purchase or sale of securities, within a brokerage house only after having obtained a licence from the Securities Exchange Commission testifying the passing of an ad hoc professional exam. A broker licence is valid for a period of five years, and each broker is required to renew the licence every five years.

4.140. An investment advisor can perform services only after having obtained a licence from the Securities Exchange Commission testifying the passing of an ad hoc professional exam for investment advisors. The licence is valid for a period of five years. The investment advisor is required to renew the licence every five years.

4.141. There are no limitations regarding the number of licences or participations of natural persons or legal entities in the buying and selling of securities on the stock exchange.

4.142. Stock exchanges under foreign law cannot offer any services in the territory of North Macedonia through any legal form.

#### 4.4.2.5 Pension funds

4.143. The legal framework of the pension fund regime consists of the Law on Mandatory Fully-Funded Pension Insurance, 2002, last amended in 2018[43]; the Law on Voluntary Fully-Funded

[41] Law on Securities (Official Gazette Nos. 95/2005, 25/2007, 07/2008, 57/2010, 135/2011, 13/2013, 188/2013, 43/2014, 15/2015, 154/2015, and 23/2016). Viewed at: https://www.finance.gov.mk/files/u11/LAW%20ON%20SECURITIES-final.pdf.

[42] Official Gazette Nos. 12/2009, 67/2010, 24/2011, 188/13, 145/15, and 23/16.

[43] Official Gazette Nos.29/2002, 85/2003, 40/2004, 113/2005, 29/2007, 88/2008, 48/2009, 50/2010, 171/2010, 36/2011, 98/2012, 13/2013, 164/2013, 44/2014, 192/2015, 30/2016, and 21/2018.

Pension Insurance, 2008, last amended in 2013[44]; the Law on Payment of Pensions and Pension Benefits from Fully-Funded Pensions[45], 2012; and about 50 by-laws.[46]

4.144. The pension system has a three-pillar structure, composed of:

- a generational solidarity–based public pension insurance pillar, based on defined benefits, which therefore falls outside of the scope of the GATS;
- a mandatory fully-funded pension insurance pillar, based on defined contributions; and
- a voluntary fully-funded pension insurance pillar, based on defined contributions.

4.145. This structure results from a thorough reform of the pension system that took place in 2000. In the second and third pillars, each member has his/her individual account, in which the assets are recorded, and which provides the base for the future pension benefit, based on the amount of paid-in contributions. The total assets of the mandatory and voluntary pension funds represented around 9.4% of GDP in 2017.

4.146. Box 4.6 below provides statistical indicators regarding the private pension fund sector (second and third pillars) during the period under review.

### Box 4.6 Statistical overview of the pension sector, 2013 and 2017

Number of pension funds
2 mandatory pension funds (since 2006) and 2 voluntary pension funds (since 2009)

Total assets

2013: MKD 27 million

2017: MKD 66 million

Source: Information provided by the authorities.

4.147. The Agency for Supervision of Fully-Funded Pension Insurance (MAPAS) is the regulatory and supervisory body for private pension funds. It is a legal entity and an independent agency. The Chairman and the four members of the Council of Experts of the Agency are appointed and revoked by Parliament, upon proposal by the Government. The Chairman of the Council of Experts manages the Agency, and represents it. The MAPAS is accountable to Parliament. It must submit an Annual Report on the Operation of the Agency, and a Financial Plan of the Agency for the following year, to Parliament for adoption. The MAPAS is funded by a levy on contributions to the second and third pillars, of 0.8%. It is paid by the pension management companies from their revenue.

4.148. The regulatory framework allows the establishment of three types of pension companies: joint pension company i.e. operating on the two pillars, mandatory pension company, and voluntary pension company. So far, only two companies have been established, and they both belong to the joint pension category. One of them, NLB, is 100%-owned by Slovenian interests, while the second, KB First, is 51% Slovenian-owned and 49% owned by a local North Macedonian bank, K Bank. A third new licence was to be granted in April 2019, again to a Slovenian company.

4.149. There are no GATS type restrictions on foreign companies, except for non-discriminatory compulsory legal forms and for non-discriminatory requirements on shareholders imposing that at least 51% of the capital must be in the hands of the founding financial institution, which can be local or foreign.

[44] Official Gazette Nos. 7/2008, 124/2010, 17/2011, and 13/2013.
[45] Official Gazette Nos. 11/2012, 147/2015, and 30/2016.
[46] For an overview of these laws and regulations, see: http://mapas.mk/?page_id=1170 and http://mapas.mk/mapas-en/index.php/regulation.

### 4.4.3 Transport services

#### 4.4.3.1 Transport infrastructure challenges and policy

4.150. The economic development of North Macedonia, as a small land-locked country, depends, to a large extent, on a well-developed transport network. To reduce transport costs arising from the relatively poor condition of roads and railways, the Government is focused on the development of the transport infrastructure. Its aim is to better connect with EU markets and access to nearby sea ports in Greece and Bulgaria.

4.151. In that respect, road infrastructure is a priority, since most goods, including exports, are transported by road (in the period 2006-16, the intermodal share of road freight transport in the total freight transport was, on average, over 91.7%, while the railway share stood at 8.2%)[47]. The road network has a total of 14,182 km, of which 242 km is highways.

4.152. The situation is similar for passenger traffic: road transport is the dominant mode for intercity travel, followed by the rail network. Both the road and the rail network suffer from border crossing delays, linked partly to physical bottlenecks and to trade facilitation issues.

4.153. The most important multimodal transport corridors in North Macedonia are the Pan-European Corridor X, extending from north to south across the country (from the border with Serbia to the border with Greece) and the Pan-European Corridor VIII, extending from east to west, connecting the port of Durres in Albania with the ports of Burgas and Varna on the Black Sea in Bulgaria.

4.154. With the construction of the Demir Kapija-Smokvica section, that ended in April 2018, a highway now runs along the entire Corridor X, which is 172 km long. Regarding railways, Corridor X will be fully operational by the end of 2019, when the network will be upgraded and full connection with the Greek and Serbian networks will be completed.

4.155. So far, only 37% of Corridor VIII has been upgraded to highway level, and works continue westwards. The rail connection with the Bulgarian network has not yet been completed. The construction of the eastern part of the rail Corridor VIII (89 km) is expected to be completed and to become operational by the end of 2030.

4.156. Table 4.22 describes the budget and the sources of financing allocated to these projects.

**Table 4.22 Main transport infrastructure projects' budgets and sources of financing**

| Project | Budget and source of financing |
|---|---|
| **Rail transport projects** | |
| Renovation of Rail Corridor X | EUR 17.6 million loan from the European Bank for Reconstruction and Development (EBRD), obtained in 2010 |
| Rail Corridor VIII,<br>Kumanovo-Beljakovce section | For the preparation of the plans: EUR 1.5 million loan from the Western Balkans Infrastructure Fund (WBIF)[a]<br><br>For the works: EUR 46.4 million from an EBRD loan<br><br>For supervision services: EUR 2.7 million from a WBIF loan |
| Rail Corridor VIII,<br>Beljakovce-Kriva Palanka section | For the preparation of the plans: EUR 2.7 million from a WBIF loan<br><br>For the works: EUR 70 million from an EBRD/WBIF loan obtained in 2018<br><br>For supervision services: EUR 2.7 million from WBIF technical assistance grant funds supported by the EBRD |

[47] The remainder is ensured by pipeline transport.

| Project | Budget and source of financing |
|---|---|
| Rail Corridor VIII,<br>Kriva Palanka-Deva Bair section,<br>on the border with Bulgaria | For preparation of the pans: EUR 3.2 million from EU Instrument for Pre-Accession Assistance (IPA) funds<br><br>For works: EUR 60 million from IPA funds<br><br>The remaining necessary funding, estimated at EUR 405 million, is planned to be secured through the European Investment Bank and the EBRD |
| **Road transport projects** | |
| Corridor VIII<br>Highway construction<br>Kicevo - Ohrid section | Financed by:<br>- EUR 411 million loan from the Chinese EXIM BANK;<br>- the budget of Public Enterprise for State Roads (PESR); and<br>- the national budget |
| Corridor VIII<br>Expressway construction<br>Rankovce – Kriva Palanka section | - EUR 58.1 million from a World Bank loan |
| Corridor VIII<br>Reconstruction and rehabilitation<br>Kriva Palanka-Deve Bair section | EUR 12 million |
| Corridor VIII<br>Rehabilitation<br>Kumanovo-Stracin section | EUR 16 million financed by:<br>- EU IPA funds;<br>- the budget of the PESR; and<br>- the national budget |
| Corridor VIII<br>Highway rehabilitation<br>Miladinovci-Hipodrom section | EUR 4 million |
| Corridor VIII<br>Highway rehabilitation<br>Kumanovo-Miladinovci section (finished) | EUR 12.7 million from EU IPA funds |

a An *ad hoc* financial institution co-financed by the European Union, 20 bilateral donors, the EBRD, the European Investment Bank, and the Council of Europe Development Bank (CEB).

Source: Information provided by the authorities.

4.157. The development of the road and railway infrastructure will be complemented by the implementation of trade facilitation measures, such as the institution of one-stop border-crossing procedures.

4.158. The long-term transport policy of North Macedonia is defined in the National Transport Strategy 2018-30, adopted by the Government in December 2018. Its main aims are to improve the economic efficiency, safety and accessibility of transport, to handle its environmental impact management, and to ensure the integration of transport with other sectoral policies. Its specific objective is to address the weaknesses of the transport sector at regional and national levels.

4.159. On 22 December 2017, Parliament ratified the Treaty establishing the Transport Community (TCT), which regroups the European Union on the one hand and the Western Balkan countries on the other. Its aim is to create a Transport Community in the field of road, rail, inland waterway and maritime transport, and to develop the transport network between them. This will be undertaken on the basis of the relevant EU acquis, including in the areas of technical standards, interoperability, safety, security, traffic management, social policy, public procurement, and environment, for all modes of transport excluding air.

4.160. The Secretariat of the Transport Community is expected to be fully operational by end-2019.

#### 4.4.3.2 Road transport services

4.161. Being a landlocked country with a relatively modest railway network, North Macedonia is heavily dependent on road transport. Table 4.23 details the passenger and cargo road traffic, while Table 4.24 describes the present state of the national fleet of trucks, buses and coaches.

**Table 4.23 Road freight and passenger traffic, 2013-17**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Road cargo traffic for hire and reward (million t/km) | 6,667 | 8,771 | 8,361 | 8,780 | 8,420 |
| Road passenger traffic, by bus and by coach (million t/km) | 1,980 | 2,474 | 2,276 | 2,069 | 2,331 |

Source: International Transport Forum (ITF)/OECD.

4.162. No detailed statistical data was available regarding the size and structure of the fleet at the beginning of period but, according to the authorities, the size of fleet grew significantly, and its technical and environmental quality improved during the period under review. Table 4.24 details the present size and structure of the fleet, by environmental performance category.

**Table 4.24 Trucks (over 3.5 t) and coach fleets, 2017**

| | Truck fleet (by environmental Euro Safe category[a]) | | | | | | | | Bus and coach fleets |
|---|---|---|---|---|---|---|---|---|---|
| | Euro 0 | Euro 1 | Euro 2 | Euro 3 | Euro 4 | Euro 5 | Euro 6 | Total trucks | |
| **2017** | 2,942 | 11 | 282 | 1,307 | 396 | 2,709 | 1,955 | 9,602 | 4,093 |

a Euro Safe categories correspond to successive environmental standards of an increasingly stringent nature. For more details on these categories, see WTO document S/C/W/324, pg. 36.

Source: Information provided by the authorities.

4.163. The Ministry of Transport and Communications (MTC) is in charge of creating and implementing the country's transport policy, including national strategies and action plans, inspection, and enforcement. It is assisted by the Transport Inspectorate, an administratively and financially autonomous body, which is responsible for supervising the implementation of relevant laws and rules. The Public Enterprise for State Roads (PESR) is responsible for designing and implementing the annual programme for planning, funding, construction, reconstruction, maintenance, and protection of the national and regional road network.

4.164. North Macedonia transposed in its Law on Road Transport, 2013[48] the main regulations underpinning the single EU road transport market, namely EU Regulation Nos. 1071/09 on access to the occupation of road transport operator, 1072/09/EC on common rules for access to the international road haulage market, 1073/09/EC on common rules for access to the international market for coach and bus services, and earlier EU liberalization legislation such as Regulation 56/83/EEC concerning the implementation of the Agreement on the International Carriage of Passengers by Road by means of Occasional Coach and Bus Services (ASOR). However, cabotage is not yet allowed for EU freight hauliers but will soon be open for occasional passenger transports via the upcoming ratification of the Interbus Agreement. North Macedonia also transposed a series of EU technical requirements on vehicles and the qualifications of drivers[49], and will soon transpose the latest EU tachymeter requirements.

4.165. North Macedonia concluded 33 bilateral agreements on the international road transport of passengers and goods with the following countries: Albania, Austria, Bulgaria, Belgium, Belarus, Bosnia and Herzegovina, Croatia, the Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iran, Italy, Latvia, Luxembourg, the Republic of Moldova, Montenegro, the Netherlands, Norway, Poland, the Russian Federation, Serbia, Slovenia, Turkey, Ukraine, Romania, Switzerland, Spain, the Slovak Republic, and the United Kingdom.

4.166. Table 4.25 provides the detail of the permit quotas negotiated by North Macedonia with its bilateral partners, by type of environmental category of vehicles (undifferentiated/ordinary or Euro

[48] Official Gazette No. 23/13.

[49] Notably, Directive 96/96/EC on the approximation of the laws of the member States relating to roadworthiness tests for motor vehicles and their trailers, Directive 2000/30/EC on the technical roadside inspection of the roadworthiness of commercial vehicles circulating in the Community, Directive 84/647/EEC on the use of vehicles hired without drivers for the carriage of goods by road, Directive 59/03/EC on the initial qualification and periodic training of drivers of certain road vehicles for the carriage of goods or passengers, and Directive 94/06/EC on the establishment of common rules for certain types of carriage of goods by road

Safe 3 to 6) and by type of traffic (undifferentiated/universal, bilateral, transit third country, or a combination thereof).

**Table 4.25 Road transport quotas/permits negotiated by North Macedonia**

| Country | Environmental category | Type of geographical traffic | Number of permits | Country | Environmental category | Type of geographical traffic | Number of permits |
|---|---|---|---|---|---|---|---|
| **Austria** | Euro 3 | Universal | 800 | **Greece** | | B/Transit | Liberalized |
| | Euro 4 | Universal | 1,000 | | | TC | Via EMCT[a] quotas |
| | Euro 5 | Universal | 4,200 | **Hungary** | | Bilateral/ Transit/TC | Fully liberalized |
| | Euro 6 | Universal | 700 | **Iran** | Ordinary | B/Transit | 1,000 |
| | Euro 3 | Bilateral | 300 | **Italy** | Ordinary | Bilateral | 950 |
| | Euro 4 | Bilateral | 700 | | Euro 3 | Bilateral | 2,000 |
| | | | | | Euro 5 | Bilateral | 1,900 |
| | Euro 5 | Bilateral | 1,500 | **Latvia** | Ordinary | TC | 194 |
| | Euro 6 | Bilateral | 500 | **Lithuania** | Ordinary | B/Transit | 1,000 |
| **Albania** | | B/Transit | Fully liberalized | **Luxembourg** | Bilateral/ Transit/TC | Fully liberalized | Bilateral/ Transit/TC |
| | Ordinary | TC | 200 | **Republic of Moldova** | Ordinary | TC | 100 |
| **Belarus** | Ordinary | TC | 300 | | Ordinary | B/Transit | 300 |
| | Ordinary | B/Transit | 2,200 | **Montenegro** | Ordinary | TC | 500 |
| **Belgium** | Ordinary | Universal | 1,500 | | | B/Transit | Fully liberalized |
| **Bosnia and Herzegovina** | | Bilateral/ Transit/TC | Fully liberalized | **Netherlands** | Ordinary | Universal | 2,000 |
| **Bulgaria** | Ordinary | TC | 1,110 | **Norway** | Ordinary | B/Transit | 200 |
| | | B/Transit | Fully liberalized | **Poland** | | Bilateral/ Transit/TC | Fully liberalized |
| **Croatia** | Ordinary | TC | 500 | **Romania** | Ordinary | B/Transit | 3,850 |
| | | B/Transit | Fully liberalized | | Euro 3 | B/Transit | 1,000 |
| **Denmark** | Ordinary | B/Transit | 800 | | Ordinary | TC | 500 |
| | Ordinary | TC | 145 | **Russian Federation** | Ordinary | B/Transit | 2,500 |
| **Estonia** | Ordinary | Universal | 100 | | Ordinary | TC | 100 |
| **France** | Euro 4 | B/Transit | 500 | **Serbia** | Ordinary | Bilateral | 5,000 |
| | Euro 5 | B/Transit | 2,500 | | Ordinary | TC | 300 |
| | Euro 5 annual | B/Transit | 20 | **Slovak Republic** | | | Bilateral/ Transit/TC |
| | Ordinary | TC | 200 | **Slovenia** | Ordinary | TC | 1,200 |
| **Germany** | Ordinary | B/Transit | 100 | | | B/Transit | Fully liberalized |
| | Euro 3 | B/Transit | 2,000 | **Spain** | Ordinary | TC | 1,200 |
| | Euro 4 | B/Transit | 1,000 | **Switzerland** | Ordinary | Unilateral | 750 |
| | Euro 5 | B/Transit | 4,700 | **Turkey** | Ordinary | Bilateral | 3,150 |
| | Euro 6 | B/Transit | 1,000 | | Ordinary | TC | 1,300 |
| | Euro 4 | B/Transit | 10 | **Ukraine** | Euro 2 | B/Transit | 700 |
| | Euro 5 annual | B/Transit | 50 | | Euro 3 | B/Transit | 800 |
| | Euro 6 | B/Transit | 5 | | Euro 5 | B/Transit | 100 |
| | Euro 4 | TC | 150 | | Ordinary | TC | 340 |
| | Euro 5 | TC | 380 | **United Kingdom** | | Bilateral/ Transit/TC | Fully liberalized |
| | Euro 6 | TC | 50 | | | | |

a EMCT: European Council of Ministers of Transport. For a detailed explanation of this pan-European plurilateral quotas system, see WTO document S/C/W/324, 29 October 2010, pages 35-37.

Note: Euro 1 to Euro 6: permits granted to tracks belonging to Euro Safe (Euro) environmental categories 1 to 6; O: ordinary, i.e. with no environmental category specified; U: universal, i.e. usable for any type of geographical traffic: bilateral, transit, or to and from third countries; B/T: permits usable indifferently for bilateral or for transit traffic; TC: third country traffic.

Source: Information provided by the authorities.

4.167. The multilateral quotas assigned to North Macedonia under the pan-European ECMT agreement are described in Box 4.7.

**Box 4.7 ECMT multilateral quotas for North Macedonia, 2019**

| | Licences (quantity) | Reserve licences (quantity) |
|---|---|---|
| **Annual licences** | | |
| Euro V | 240 | 369 |
| Euro VI | 1,236 | |
| **Short term licences** | | |
| Euro V | 840 | 78 |
| Euro VI | 720 | |

Source: ITF/OECD.

4.168. North Macedonia undertook GATS commitments for two auxiliary services to road transport, namely storage and warehouse services, and freight transport agency services. These commitments are partial for market access (mode 2: none, but modes 1 and 3: unbound) and full for national treatment (modes 1, 2, and 3: none).

#### 4.4.3.3 Rail transport services

4.169. North Macedonia has a rail network of 699 km of wide gauge (1,435 mm), of which 312 km are electrified. Table 4.26 details the passenger and cargo traffic on this network for 2015-18.

**Table 4.26 Passenger and cargo traffic on the rail network, 2013-18**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **Passenger traffic (million passengers/km)** of which: | 80.1 | 80.0 | 177.5 | 82.9 | 59.1 | 63.2 |
| - international | 0.6 | 0.8 | 0.6 | 0.2 | 0.4 | 0.5 |
| - domestic | 79.6 | 79.2 | 176.8 | 82.7 | 58.7 | 62.8 |
| **Cargo traffic (million t/km)** of which: | 420.9 | 411.3 | 278.2 | 222.0 | 276.6 | 307.2 |
| - international | 415.5 | 409.5 | 275.9 | 219.5 | 274.4 | 305.7 |
| - domestic | 5.4 | 1.8 | 2.3 | 2.5 | 2.2 | 1.4 |

Source: Information provided by the authorities.

4.170. In August 2007, the former railway company was split vertically into two companies: a company managing the infrastructure (PE MR Infrastructure), and a transport company/railway (MZ Transport JSC). The separation model adopted is of Type 1[50], i.e. where the shares are owned in both instances and at 100% by the State. Both companies have separate accounts, and are fully independent from each other for their decision–making process and budget. The Infrastructure Manager is in charge of all infrastructure management functions (including capacity allocation and charging). Both companies are supervised by the Regulatory Agency of the Railway Sector, which is a separate entity, established by the Parliament, and by the directorate for safety of the railway system (National Safety Authority), which is also a separate body established under the MTC.

4.171. The Law on the Railways System transposed Regulation 1370/2007 laying down the conditions under which compensation payments stipulated in public service contracts and concessions for public service obligations in public passenger transport service shall be deemed compatible with the rules of the internal market in the European Union and exempt from prior state aid notification. The Government supports part of the losses in the passenger services, as a

[50] This model is similar to the one adopted by the Czech Republic, Denmark, Estonia, Finland, Greece, the Netherlands, Portugal, Romania, Slovakia, Spain, Sweden, and the United Kingdom (excluding Northern Ireland).

compensation of the Public Services Obligations (PSO), based on a three-year rolling contract with MZ Transport JSC.

4.172. With regard to the improvement of the railway infrastructure, the Infrastructure Manager proposes to the Government an Annual Programme, which is published in the Official Gazette. The Government secures funds for that purpose on an annual basis. At the end of each year, the Infrastructure Manager submits, through the MTC, a report to the Government on the realization of the Programme.

4.173. North Macedonia is in the process of transposing the EU Fourth Railways Package of 2016. Neither freight nor passenger transport have yet been liberalized. However, the process of business segmentation between freight and passengers has started, and so has the planification of the privatization of MZ Transport JSC. Based on the results of the analyses performed by a consultant, the Government will take a decision in the course of 2019 on the further opening of the railway market.

4.174. North Macedonia undertook GATS commitments for two auxiliary services to rail transport, namely storage and warehouse services, and freight transport agency services. These commitments are partial for market access (mode 2: none, but modes 1 and 3: unbound) and full for national treatment (modes 1, 2, and 3: none).

#### 4.4.3.4 Air transport services

4.175. The MTC, through its Aviation Department, carries out the following responsibilities in the field of aviation: drafting the national strategy for developing aviation; implementing the policy of the Government in the field of aviation; proposing laws in the field of aviation and preparing and adopting by-laws; granting concessions in the field of aviation and transposing EU and international regulations.

4.176. The Civil Aviation Agency is an independent state body that functions as an autonomous legal entity. It exerts regulatory functions for the daily air policing regulation, while its former activities of air navigation services provider were spun off by the Aviation Law in 2009 to a new joint stock company, the 100% state-owned M-NAV AD Skopje. Under the same Law, another 100% state-owned airport joint stock company was created.

4.177. Regarding the regulatory regime of the three auxiliary services to air transport covered by the GATS, aircraft repair and maintenance, selling and marketing of air transport services, and Computer Reservation Services (CRS), North Macedonia undertook GATS commitments and MFN exemptions that echo those of the European Union in the perspective of its adhesion process.

4.178. It undertook full commitments for aircraft repair and maintenance (except for mode 1 cross-border, which was considered as technically unfeasible at the time of the 1993 EU commitments). However, in practice, the country does not have any aircraft maintenance provider certified by the two main safety regulatory agencies, the European Union's EASA and the United States' FAA, presently operating in its territory. If such an operator is established, it would have to follow the acquis on air safety, EU Regulation No. 1321/2014 of 26 November 2014 on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organizations and personnel involved in these tasks, which has already been transposed.[51]

4.179. Regarding selling and marketing, North Macedonia undertook full market access commitments, while modes 1 and 3 remain unbound for national treatment. There is no specific national regulation for this type of service. In some of the air services agreements, there are provisions regarding commercial opportunities for foreign airlines. In practice, any foreign airline is free to sell or market its services, either via a physical presence or online.

4.180. The commitments for CRSs are identical to those for selling and marketing: full for market access, and unbound for modes 1 and 3 for national treatment. This is to allow the interplay of the MFN exemption covering the EU CRS legislation (EU Regulation No. 2299/89, as amended by

[51] For the full text of the EU Regulation No. 1321/2014, see: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:362:FULL&from=EN.

Regulation Nos. 3089/93 and 323/99) that was transposed in the Law on Contractual Relations in the Field of Aviation Transport. There is no monopoly granted.

4.181. In practice, travel agents and airlines are free to use the CRS of their choice. There is no information available on which providers are effectively operating in the national territory.

4.182. North Macedonia has two international airports, in Skopje and in Ohrid. Table 4.27 provides the total passenger and cargo traffic handled by these airports.

### Table 4.27 Cargo and passenger traffic, 2013-18

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Number of passengers (departed and arrived) handled by the airport system (million) | 1.07 | 1.28 | 1.56 | 1.79 | 2.03 | 2.34 |
| Total cargo handled by the airport system (tonnes) | 2,701 | 3,589 | 2,786 | 3,090 | 3,002 | 3649 |

Source: Information provided by the authorities.

4.183. For both airports, concessions were awarded, as of 2010, for 20 years to the Turkish company TAV Holdings; ground handling services are provided by TAV. Since EU Directive No. 96/67 was transposed, and since Skopje airport reached the threshold of 2 million passengers per year, freedom of self-handling, mutual handling and third-party handling are legally available.

4.184. Slots are regulated by the national regulation for slots allocation that transposes the EU acquis.[52]

4.185. National rules for the establishment of an airline (issuing the Operating Licence and the Airline Operating Certificate) transpose the relevant EU regulations[53]. Since the demise of the carrier MAT in 2009, North Macedonia does not have a national airline anymore.

4.186. There is no specific cargo flight policy, except in the bilateral agreement with the United States that grants seventh freedom for cargo traffic. There is no specific policy limiting the number of charters allowed to land.

4.187. According to the authorities, no limitations apply to the operation of low-cost carriers. Their operations benefit from subsidy schemes. The first such scheme was launched in 2012, for three years, and the subsidy was allocated through a tender won by Wizzair (a Hungarian low-cost carrier), which, in exchange for the subsidy, opened six new routes. In December 2014, EUR 5 million was earmarked for a new subsidy scheme. Wizzair again won the tender in 2015, and created five new lines from Skopje (to Barcelona, Oslo, Nuremberg, Hamburg, and Friedrichshafen) and 1 from Ohrid: Basel-Mulhouse. The present subsidy scheme comprises a lump sum of EUR 40,000 for each new destination launched, and an additional sum of EUR 13 for each departing passenger in the first year of operation, decreasing to EUR 12 in the second year, and to EUR 11 in the third.

4.188. Table 4.28 describes the main features of the bilateral and plurilateral air services agreements of North Macedonia, analysed according to the WTO Quantitative Air Services Agreement Review (QUASAR) methodology.[54]

[52] Regulation No. 95/93, as amended by EU Regulation Nos. 894/2002, 1554/2003, 793/2004, and 545/2009.

[53] EU Regulation Nos. 1008/2008, 690/2009, 1108/2009, 3922/91, 2176/96, 169/1999, 2871/2000, 1592/2002, 1899/2006, 1900/2006, 8/2008, and 859/2008.

[54] For more elements on this methodology, see WTO document S/C/W/270/Add.1, 30 November 2006.

**Table 4.28 Air transport agreements**

| Partner | Date | Entry into force | Phase | 5th | 7th | Cabotage | Coop | Designation | Withholding | Pricing | Capacity | Stat | ALI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| European Common Aviation Area (European Union, Albania, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, Iceland, and Norway) | 09.06.2006 (with provisional application) | 01.12.2017 | I | N | N | N | N | M | CoI | FP | FD | N | 24 |
| | | | II | Y | N | N | N | M | CoI | FP | FD | N | 30 |
| | | | Final | Y | Y | Y | N | M | CoI | FP | FD | N | 43 |
| Israel | 25.05.1999 | 30.06.2003 | | N | N | N | N | S | SOEC | DA | PD | Y | 0 |
| Qatar | 17.10.2011 | 07.03.2012 | | Y | N | N | Y | M | PPoB | FP | FD | Y | 26 |
| Russian Federation | 22.03.2001 | No data | | | | | | | SOEC | | | | |
| Serbia | 04.09.1996 | | | N | N | N | N | M | SOEC | DA | PD | Y | 4 |
| Switzerland | 18.09.1996 | | | Y | N | N | N | S | SOEC | DA | PD | Y | 6 |
| Turkey | 09.12.1994 | | | Y | N | N | N | M | SOEC | FP | B1 | Y | 22 |
| United Arab Emirates | 28.06.2016 | Not entered into force | | Y | N | N | Y | M | PPoB | FP | FD | Y | 34 |
| United States | 23.08.2012 | 23.08.2012 | | Y | N | N | Y | M | SOEC | FP | FD | N | 26 |
| Ukraine | 16.12.1998 | | | N | N | N | N | M | SOEC | DA | PD | Y | 4 |

Note: "5th" = fifth freedom rights; "7th" = seventh freedom rights; "Cabotage" = domestic traffic; "Coop" = cooperation clauses; "Stat" = statistics; "ALI" = Air Liberalization Index.
"Y" = Yes; "N" = No; "S" = single designation; "M" = multiple designations; "FP" = free pricing; "PD" = pre-determination; "FD" = free determination; "CoI" = community of interest; "PPOB" = principal place of business; and "SOEC" = substantial ownership and effective control.

Source: Information provided by the authorities.

### 4.4.4 Tourism services

4.189. Tourism is still a relatively minor activity in North Macedonia in terms of its contribution to GDP, but it developed during the period under review in terms of arrivals and gross foreign exchanges earnings (Table 4.29).

**Table 4.29 Tourism sector: evolution of the main economic indicators, 2013-18**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Share of tourism in GDP (%) | 1.4 | 1.3 | 1.3 | 1.5 | 1.5 | 1.6 |
| Number of tourists, of which | 701,794 | 735,650 | 816,067 | 856,843 | 998,841 | 1,126,935 |
| - international | 399,680 | 424,314 | 485,530 | 510,484 | 630,594 | 707,345 |
| - domestic | 302,114 | 310,336 | 330,537 | 346,359 | 368,247 | 419,590 |
| Gross foreign exchange inflow (USD million) | 266.60 | 294.70 | 266.80 | 284.70 | 331.00 | 352.00 |
| Net foreign exchange revenues (USD million) | 136.00 | 145.00 | 107.46 | 104.80 | 119.75 | 112.80 |

Source: Information provided by the authorities.

4.190. In 2017, the tourism sector accounted for around 3.8% of total employment, more than twice its share in GDP.

4.191. In 2018, there were 255 hotels in North Macedonia, employing 8,150 people. Detailed data by category of lodging facilities are available only until 2015 (Table 4.30).

**Table 4.30 Tourist arrival, by type of accommodation facility, 2011-15**

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Total** | **320,097** | **312,274** | **302,114** | **310,336** | **330,537** |
| Hotels, total | 117,506 | 118,246 | 121,668 | 131,403 | 145,752 |
| Hotels***** | 13,551 | 11,323 | 14,790 | 17,135 | 24,582 |
| Hotels**** | 45,845 | 46,942 | 42,735 | 43,365 | 47 037 |
| Hotels*** | 26,755 | 28,193 | 32,671 | 40,692 | 42,106 |
| Hotels** | 17,787 | 19,026 | 22,152 | 21,914 | 22,078 |
| Hotels* | 13,568 | 12,762 | 9,320 | 8,297 | 9 949 |
| Boarding houses, total | 331 | 499 | 726 | 900 | 545 |
| Boarding houses** | 182 | 164 | 142 | 165 | 98 |
| Boarding houses* | 149 | 335 | 584 | 735 | 447 |
| Motels, total | 1,898 | 3,811 | 3,628 | 4,238 | 3,153 |
| Motels**** | .. | 226 | 260 | 417 | 381 |
| Motels*** | .. | 1,440 | 1,486 | 1,389 | 947 |
| Motels** | 1,160 | 696 | 682 | 1,072 | 279 |
| Motels* | 738 | 1,449 | 1,200 | 13,60 | 1,546 |
| Overnight lodging houses | 1,545 | 2,807 | 2,755 | 3,389 | 3,607 |
| Spas | 23,273 | 23,715 | 24,205 | 25,269 | 25,246 |
| Mountain lodges and houses | 647 | 581 | 549 | 519 | 456 |
| Workers' vacation facilities | 13,217 | 9,996 | 11,503 | 11,373 | 11,965 |
| Child and youth vacation facilities | 11,983 | 11,774 | 13,295 | 11,908 | 11,951 |
| Youth hostels | 1,589 | 1,683 | 1,602 | 1,618 | 1,595 |
| Camps | 15,659 | 15,359 | 11,406 | 10,171 | 7,514 |
| Houses, vacation apartments and rooms for rent, total | 112,514 | 101,294 | 97,362 | 100,409 | 108,978 |
| Temporary lodging facilities | 207 | 506 | 352 | 44 | 117 |
| Sleeping cars | 3,318 | 3,487 | 3,906 | 2,311 | 1,912 |
| Uncategorized accommodation establishments | 16,410 | 18,516 | 9,157 | 6,784 | 7,746 |

.. Not available.

Source: Information provided by the authorities.

4.192. The hotel sector is in expansion, including in the luxury segment, as illustrated by Table 4.31, which shows that the number of nights, of both domestic and of international origin, constantly increased during the period under review.

**Table 4.31 Number of hotel nights, 2013-17**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Total number of nights, of which** | **2,157,175** | **2,195,883** | **2,394,205** | **2,461,160** | **2,775,152** |
| - domestic | 1,275,800 | 1,273,370 | 1,357,822 | 1,407,143 | 1,480,460 |
| - international | 881,375 | 922,513 | 1,036,383 | 1,054,017 | 1,294,692 |

Source: Information provided by the authorities.

4.193. There are over 1,000 food and beverage establishments in the country, but no data is available on their employment or turnover. There were 624 travels agents and tour operators active in the country in 2018, employing a total of 1,500 people, and 867 registered tour guides.

4.194. The Ministry of Economy, through its Tourism Department, is in charge of defining policies in the tourism sector. It is assisted by the Agency for Promotion and Support of Tourism. A coordinative body for tourism was also set up by the Government. Other stakeholders include the Faculty of Tourism, the Tourism Chamber of the Chamber of Commerce, two autonomous chambers of tourism, and the Association of the Hotel and Catering Businesses (HOTAM).

4.195. Tourism promotion activities are financed by a tourism tax of MKD 40 per overnight stay, 80% of which remains in the municipality that collected it. In addition, eight Regional Development Centres (RDCs) were created, grouping all the municipalities. These Centres prepare strategic documents to initiate projects at municipal level. These documents often include a regional tourism strategy. However, RDC resources remain limited, since they are financed by municipalities through a contribution of MKD 10 per year per inhabitant.

4.196. In 2011, a non-discriminatory subsidy programme, aimed at increasing the capacity of tour operators and travel agencies, was introduced, with a view to providing competitive holiday packages. Subsidies are granted if certain pre-conditions are fulfilled (e.g. minimum stay of three days). They are intended to lower the costs of bus transportation, air transfer, air charters, railway transport, and tour trips. They vary between EUR 10 and 25 per passenger, except for air charter transport where they vary between EUR 25 and 65 per passenger depending on the origin of the flight. In 2015, EUR 1.5 million was allocated to this scheme, followed by EUR 250,000 in 2016, EUR 890,000 in 2017, and EUR 1.2 million in 2018.

4.197. The National Strategy for the Development of Tourism 2018-23 is aimed, among several other objectives, at developing tourism beyond the two main destinations of Skopje and Lake Orhid, in particular mountain resorts in the western part of the country, hot waters springs/health tourism, and wine growing areas.

4.198. In February 2019, North Macedonia submitted to the WTO a notification under Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures[55], for the following priorities identified by the Tourism Development Programme for 2019 and supported by the state budget:

- international and bilateral cooperation in tourism;
- education and training;
- preparation of analyses and studies for wine and spa tourism;
- eco action campaigns in tourism centres;
- touristic signalization for cultural sites and localities;
- support of rural households for toursim purposes;
- support of business ideas for tourism, created by students;
- support of ten municipalities for the preparation of local strategies for tourism development;
- support of projects for innovation and digitalization in tourism;
- support of active tourism, and promotion of the Visit Macedonia mobile application.

4.199. North Macedonia undertook full market access and national treatment GATS commitments on all tourism activities, except for tourist guides for which commercial presence remains unbound for both market access and national treatment so as to reflect the existing licencing, nationality and residency requirements.

[55] WTO Document G/SCM/N/343/MKD, 19 March 2019.

## 5 APPENDIX TABLES

### Table A1. 1 Merchandise imports by HS sections and major HS chapters, 2012-18

| HS Section/HS Chapters/subheadings | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Total imports (EUR million)** | **5,071** | **4,983** | **5,505** | **5,801** | **6,177** | **6,835** | **7,672** |
| | (% of total) | | | | | | |
| 01 Live animals and products | 3.1 | 3.2 | 2.8 | 2.7 | 2.5 | 2.5 | 2.4 |
| 02 Vegetable products | 2.9 | 2.6 | 2.5 | 2.7 | 2.5 | 2.4 | 2.1 |
| 03 Fats and oils | 1.3 | 1.1 | 0.9 | 1.0 | 1.0 | 0.7 | 0.7 |
| 04 Prepared food, beverages and tobacco | 5.9 | 6.1 | 5.5 | 5.7 | 5.7 | 5.4 | 5.0 |
| 05 Mineral products | 24.2 | 18.3 | 16.4 | 12.9 | 9.7 | 10.6 | 11.3 |
| HS 27 Mineral fuels | 21.3 | 16.3 | 14.4 | 10.9 | 8.9 | 9.8 | 10.2 |
| HS 2710 Petroleum oils and oils obtained from bituminous minerals, other than crude | 10.8 | 10.0 | 9.2 | 6.8 | 5.8 | 6.2 | 6.7 |
| 06 Chemicals and products thereof | 8.7 | 10.2 | 8.7 | 9.0 | 9.0 | 8.6 | 9.1 |
| HS 38 Miscellaneous chemical products | 1.1 | 1.4 | 1.4 | 2.0 | 2.4 | 2.4 | 2.6 |
| HS 30 Pharmaceutical products | 2.3 | 2.5 | 2.4 | 2.2 | 2.3 | 2.1 | 2.4 |
| 07 Plastics and rubber | 4.6 | 5.1 | 4.9 | 5.3 | 5.2 | 5.0 | 5.0 |
| HS 39 Plastics and articles thereof | 3.7 | 4.2 | 4.0 | 4.3 | 4.3 | 4.1 | 4.1 |
| 08 Raw hides and skins; leather, furskins and articles thereof | 0.8 | 0.8 | 0.8 | 0.6 | 0.8 | 0.9 | 0.9 |
| 09 Wood, cork, straw | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 |
| 10 Pulp of wood; paper and paperboard | 1.8 | 1.9 | 1.7 | 1.7 | 1.7 | 1.6 | 1.5 |
| 11 Textiles and textile articles | 7.8 | 8.5 | 8.4 | 8.4 | 7.9 | 7.7 | 7.1 |
| 12 Footwear, headgear, etc. | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.6 | 0.5 |
| 13 Articles of stone, plaster, cement | 2.2 | 2.6 | 3.1 | 4.2 | 5.1 | 5.3 | 5.7 |
| HS 69 Ceramic products | 1.4 | 1.7 | 2.3 | 3.3 | 4.1 | 4.4 | 4.8 |
| 14 Precious stones and metals, pearls | 6.3 | 8.0 | 11.5 | 11.6 | 12.2 | 12.5 | 11.9 |
| HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals | 6.3 | 8.0 | 11.5 | 11.6 | 12.2 | 12.5 | 11.9 |
| HS 7110 Platinum, unwrought or in semi-manufactured forms, or in powder form | 6.2 | 7.9 | 11.4 | 11.5 | 12.1 | 12.4 | 11.9 |
| 15 Base metals and articles thereof | 9.6 | 9.0 | 8.9 | 8.9 | 9.1 | 9.9 | 10.0 |
| HS 72 Iron and steel | 6.2 | 5.5 | 5.4 | 5.0 | 5.0 | 5.8 | 6.2 |
| 16 Machinery, electrical equipment | 11.5 | 13.5 | 14.4 | 15.4 | 15.8 | 16.6 | 17.4 |
| HS 85 Electrical machinery and equipment and parts thereof | 5.4 | 6.6 | 7.7 | 8.3 | 8.7 | 9.8 | 10.9 |
| HS 8544 Insulated wire, cable and other insulated electric conductors | 0.3 | 0.6 | 1.2 | 1.7 | 2.0 | 2.3 | 2.6 |
| HS 84 Machinery and mechanical appliances; parts thereof | 6.1 | 6.8 | 6.7 | 7.1 | 7.1 | 6.8 | 6.5 |
| 17 Transport equipment | 4.4 | 4.1 | 4.4 | 4.8 | 5.3 | 5.1 | 4.9 |
| HS 87 Vehicles | 4.3 | 4.0 | 4.3 | 4.5 | 5.0 | 4.8 | 4.8 |
| 18 Precision instruments | 1.1 | 1.4 | 1.3 | 1.2 | 1.4 | 1.3 | 1.2 |
| 20 Miscellaneous manufactured articles | 1.8 | 1.9 | 2.0 | 2.1 | 2.2 | 2.0 | 2.0 |
| 21 Works of art, collectors' pieces and antiques | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other (HS 98) | 0.1 | 0.1 | 0.1 | 0.1 | 1.2 | 0.1 | 0.1 |

Source: WTO calculations, based on State Statistical Office MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

**Table A1. 2 Merchandise exports by HS sections and major HS chapters, 2012-18**

| HS Section/HS Chapters/subheadings | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Total exports (EUR million)** | **3,124** | **3,235** | **3,747** | **4,088** | **4,390** | **5,019** | **5,861** |
| | (% of total) | | | | | | |
| 01 Live animals and products | 0.9 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| 02 Vegetable products | 3.8 | 3.9 | 3.5 | 3.4 | 3.4 | 2.6 | 2.2 |
| 03 Fats and oils | 0.4 | 0.2 | 0.3 | 0.5 | 0.4 | 0.1 | 0.1 |
| HS 15 Animal or vegetable fats and oils | 0.4 | 0.2 | 0.3 | 0.5 | 0.4 | 0.1 | 0.1 |
| 04 Prepared food, beverages and tobacco | 10.0 | 10.5 | 8.4 | 7.3 | 7.7 | 7.3 | 6.4 |
| HS 24 Tobacco and manufactured tobacco substitutes | 3.7 | 4.2 | 2.9 | 2.4 | 2.7 | 2.8 | 2.2 |
| 05 Mineral products | 11.6 | 7.5 | 6.0 | 5.2 | 4.6 | 6.2 | 6.1 |
| HS 26 Ores, slag and ash | 4.2 | 4.2 | 3.5 | 3.1 | 2.6 | 3.6 | 3.1 |
| 06 Chemicals and products thereof | 15.5 | 17.8 | 20.0 | 21.4 | 22.4 | 22.9 | 23.2 |
| HS 38 Miscellaneous chemical products | 12.4 | 14.9 | 17.5 | 19.1 | 20.1 | 20.6 | 21.0 |
| HS 3815 Reaction initiators, reaction accelerators and catalytic preparations | 12.3 | 14.8 | 17.3 | 18.9 | 20.0 | 20.5 | 21.0 |
| 07 Plastics and rubber | 2.1 | 2.4 | 1.9 | 1.9 | 1.9 | 1.8 | 1.8 |
| 08 Raw hides and skins; leather, furskins and articles thereof | 0.4 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| 09 Wood, cork, straw | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 10 Pulp of wood; paper and paperboard | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| 11 Textiles and textile articles | 16.4 | 16.3 | 15.0 | 13.2 | 12.2 | 10.4 | 8.8 |
| HS 62 Articles of apparel and clothing accessories, not knitted or crocheted | 12.1 | 11.5 | 10.6 | 9.3 | 8.5 | 7.3 | 6.0 |
| HS 61 Articles of apparel and clothing accessories, knitted or crocheted | 2.8 | 3.0 | 2.9 | 2.4 | 2.2 | 1.9 | 1.6 |
| 12 Footwear, headgear, etc. | 1.7 | 1.8 | 1.7 | 1.4 | 1.3 | 1.2 | 0.9 |
| 13 Articles of stone, plaster, cement | 0.9 | 0.9 | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 |
| 14 Precious stones and metals, pearls | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.2 |
| 15 Base metals and articles thereof | 23.8 | 21.5 | 17.1 | 15.2 | 11.7 | 11.0 | 11.7 |
| HS 72 Iron and steel | 18.8 | 16.8 | 13.3 | 11.4 | 7.5 | 6.5 | 7.2 |
| HS 73 Articles of iron or steel | 4.0 | 3.7 | 2.9 | 2.8 | 3.4 | 3.7 | 3.7 |
| 16 Machinery, electrical equipment | 8.8 | 11.9 | 18.3 | 21.6 | 24.0 | 24.7 | 26.3 |
| HS 85 Electrical machinery and equipment and parts thereof | 3.5 | 4.8 | 8.9 | 10.2 | 11.6 | 13.3 | 14.7 |
| HS 8544 Insulated wire, cable | 0.6 | 1.4 | 5.4 | 6.2 | 8.0 | 8.1 | 8.9 |
| HS 84 Machinery and mechanical appliances; parts thereof | 5.3 | 7.1 | 9.4 | 11.4 | 12.3 | 11.4 | 11.6 |
| HS 8421 Centrifuges, including centrifugal dryers | 4.4 | 6.2 | 8.6 | 10.5 | 11.3 | 10.5 | 10.5 |
| 17 Transport equipment | 1.2 | 1.4 | 2.8 | 3.1 | 4.1 | 4.8 | 5.5 |
| HS 87 Vehicles | 0.9 | 1.1 | 2.4 | 2.7 | 3.7 | 4.5 | 5.2 |
| 18 Precision instruments | 0.4 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 |
| 20 Miscellaneous manufactured articles | 1.5 | 1.7 | 2.2 | 3.2 | 3.8 | 4.2 | 4.3 |
| HS 94 Furniture; bedding, mattresses, mattress supports | 1.4 | 1.5 | 2.0 | 3.0 | 3.6 | 4.1 | 4.2 |
| 21 Works of art, collectors' pieces and antiques | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other (HS 98) | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |

Source: WTO calculations, based on State Statistical Office MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

**Table A1. 3 Merchandise imports by origin, 2012-18**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Total imports (EUR million)** | **5,071** | **4,983** | **5,505** | **5,801** | **6,177** | **6,835** | **7,672** |
| | (% of total) | | | | | | |
| Americas | 3.3 | 4.7 | 4.7 | 4.4 | 4.2 | 4.1 | 4.2 |
| United States | 1.3 | 1.9 | 2.0 | 1.6 | 2.2 | 2.3 | 2.7 |
| Other America | 2.0 | 2.9 | 2.7 | 2.8 | 2.0 | 1.8 | 1.5 |
| Europe | 77.1 | 79.4 | 80.0 | 77.8 | 77.9 | 78.1 | 76.8 |
| EU-28 | 60.3 | 62.7 | 63.4 | 62.0 | 61.9 | 62.9 | 62.4 |
| Germany | 9.7 | 10.5 | 11.1 | 12.6 | 12.2 | 11.8 | 11.6 |
| United Kingdom | 8.6 | 11.0 | 12.2 | 9.6 | 10.6 | 10.1 | 9.5 |
| Greece | 12.4 | 10.6 | 9.1 | 7.8 | 7.3 | 8.0 | 8.5 |
| Italy | 6.2 | 6.5 | 6.3 | 6.1 | 5.7 | 5.5 | 5.6 |
| Bulgaria | 6.3 | 5.5 | 5.3 | 5.3 | 4.6 | 4.3 | 4.3 |
| Romania | 1.8 | 1.9 | 2.9 | 3.2 | 3.4 | 3.2 | 3.4 |
| Poland | 1.5 | 1.5 | 1.4 | 1.5 | 1.7 | 2.9 | 2.6 |
| Hungary | 0.8 | 0.8 | 1.2 | 1.1 | 2.1 | 2.7 | 2.6 |
| Slovenia | 2.3 | 2.5 | 2.2 | 2.0 | 2.0 | 2.0 | 1.9 |
| Austria | 1.8 | 2.2 | 2.0 | 2.1 | 1.9 | 1.7 | 1.7 |
| France | 1.3 | 1.4 | 1.4 | 1.6 | 1.6 | 1.5 | 1.6 |
| Belgium | 0.5 | 0.7 | 1.0 | 1.2 | 1.4 | 1.7 | 1.6 |
| Czech Republic | 1.1 | 1.4 | 1.3 | 1.2 | 1.5 | 1.5 | 1.6 |
| Netherlands | 1.0 | 1.2 | 1.3 | 1.8 | 1.2 | 1.3 | 1.6 |
| Croatia | 1.9 | 1.7 | 1.5 | 1.5 | 1.5 | 1.4 | 1.2 |
| EFTA | 2.3 | 2.0 | 1.1 | 0.9 | 1.0 | 0.9 | 0.9 |
| Other Europe | 14.5 | 14.7 | 15.5 | 14.9 | 15.0 | 14.3 | 13.5 |
| Serbia | 7.4 | 7.9 | 8.2 | 7.7 | 7.6 | 7.2 | 6.8 |
| Turkey | 5.0 | 4.8 | 5.2 | 5.0 | 5.2 | 4.8 | 4.7 |
| Commonwealth of Independent States (CIS) | 7.1 | 4.1 | 3.7 | 3.3 | 2.9 | 3.1 | 3.2 |
| Russian Federation | 5.5 | 2.5 | 1.9 | 2.4 | 2.1 | 2.0 | 1.4 |
| Ukraine | 1.3 | 1.4 | 1.5 | 0.8 | 0.7 | 0.9 | 1.4 |
| Africa | 0.4 | 0.5 | 1.1 | 3.5 | 3.2 | 3.9 | 4.2 |
| South Africa | 0.1 | 0.0 | 0.6 | 2.9 | 2.5 | 3.2 | 3.3 |
| Middle East | 0.5 | 0.3 | 0.4 | 0.8 | 0.7 | 0.5 | 0.5 |
| Asia | 11.6 | 10.9 | 10.2 | 10.2 | 11.1 | 10.3 | 11.0 |
| China | 5.7 | 5.7 | 5.9 | 6.1 | 6.4 | 5.8 | 5.8 |
| Japan | 0.7 | 0.8 | 0.9 | 0.9 | 1.1 | 1.3 | 1.4 |
| Other Asia | 5.1 | 4.3 | 3.3 | 3.2 | 3.6 | 3.2 | 3.8 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memo:* | | | | | | | |
| CEFTA | 9.5 | 10.0 | 10.3 | 9.9 | 9.9 | 9.6 | 8.9 |

Note: Croatia was counted in the EU-28 although it only became an EU member country on 1 July 2013.

Source WTO calculations, based on State Statistical Office MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

**Table A1. 4 Merchandise exports by destination, 2012-18**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Total exports (EUR million)** | **3,124** | **3,235** | **3,747** | **4,088** | **4,390** | **5,019** | **5,861** |
| | (% of total) | | | | | | |
| Americas | 1.7 | 1.4 | 1.4 | 1.1 | 1.3 | 1.2 | 1.3 |
| United States | 1.4 | 1.1 | 1.1 | 0.9 | 1.1 | 1.0 | 1.0 |
| Other America | 0.3 | 0.3 | 0.4 | 0.2 | 0.3 | 0.2 | 0.3 |
| Europe | 89.7 | 92.9 | 92.9 | 92.3 | 94.6 | 95.1 | 95.2 |
| EU-28 | 65.3 | 72.7 | 76.5 | 77.0 | 80.0 | 81.1 | 82.0 |
| Germany | 29.4 | 35.8 | 41.3 | 44.0 | 46.5 | 46.9 | 47.0 |
| Bulgaria | 7.2 | 7.6 | 6.6 | 6.0 | 5.1 | 5.9 | 5.2 |
| Belgium | 1.1 | 1.6 | 3.0 | 3.2 | 3.9 | 3.5 | 3.8 |
| Greece | 4.7 | 5.0 | 4.6 | 3.7 | 3.4 | 3.6 | 3.2 |
| Italy | 7.0 | 6.7 | 6.2 | 4.1 | 3.7 | 3.3 | 3.1 |
| Romania | 1.3 | 2.0 | 1.9 | 2.4 | 2.8 | 3.1 | 2.8 |
| Austria | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 | 1.2 | 2.4 |
| Hungary | 0.2 | 0.2 | 0.4 | 0.5 | 0.9 | 1.5 | 2.1 |
| United Kingdom | 1.6 | 1.9 | 1.4 | 1.0 | 1.2 | 1.4 | 1.8 |
| Spain | 1.2 | 1.0 | 1.4 | 2.4 | 2.5 | 1.9 | 1.7 |
| Croatia | 2.5 | 2.3 | 1.9 | 1.8 | 1.8 | 1.5 | 1.5 |
| Netherlands | 1.6 | 1.6 | 1.4 | 1.3 | 1.4 | 1.4 | 1.5 |
| Slovenia | 1.9 | 1.4 | 1.1 | 1.2 | 1.4 | 1.3 | 1.3 |
| Czech Republic | 0.9 | 0.7 | 0.7 | 0.6 | 0.9 | 1.2 | 1.1 |
| Slovak Republic | 1.8 | 1.8 | 1.6 | 1.5 | 1.0 | 0.5 | 1.0 |
| EFTA | 0.8 | 1.0 | 1.1 | 1.0 | 0.7 | 0.7 | 0.7 |
| Other Europe | 23.6 | 19.3 | 15.3 | 14.3 | 13.8 | 13.2 | 12.4 |
| Serbia | 7.4 | 6.3 | 5.2 | 4.5 | 4.4 | 4.4 | 4.0 |
| Other Europe, n.e.s. | 9.8 | 6.5 | 4.7 | 4.4 | 4.4 | 4.0 | 3.9 |
| Turkey | 1.7 | 1.7 | 1.4 | 1.6 | 1.5 | 1.6 | 1.4 |
| Bosnia and Herzegovina | 2.1 | 2.2 | 1.9 | 1.8 | 1.7 | 1.5 | 1.4 |
| Albania | 1.9 | 1.8 | 1.5 | 1.5 | 1.3 | 1.3 | 1.3 |
| Commonwealth of Independent States (CIS) | 1.5 | 1.5 | 1.2 | 1.1 | 1.3 | 1.3 | 0.8 |
| Africa | 0.1 | 0.1 | 0.1 | 0.4 | 0.2 | 0.2 | 0.7 |
| Middle East | 0.4 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 |
| Asia | 6.6 | 3.8 | 3.9 | 4.8 | 2.3 | 2.0 | 1.7 |
| China | 4.0 | 2.5 | 1.9 | 3.2 | 1.0 | 1.1 | 1.0 |
| Japan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Asia | 2.6 | 1.3 | 2.0 | 1.5 | 1.3 | 0.9 | 0.7 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memo:* | | | | | | | |
| CEFTA | 22.0 | 17.6 | 13.9 | 12.7 | 12.4 | 11.8 | 11.1 |

Note: Croatia was counted in the EU-28 although it only became an EU member country on 1 July 2013.

Source WTO calculations, based on State Statistical Office MakStat Database. Viewed at: http://www.stat.gov.mk/PoslednoObjavenoVoMakstat_en.aspx.

## Table A2. 1 Selected notifications under WTO Agreements, 31 March 2019

| Agreement | Description | Frequency | Symbol and date of latest notification |
|---|---|---|---|
| **Agreement on Agriculture** | | | |
| Articles 10 and 18.2 (ES:1 and ES:2) | Export subsidies | Annual | G/AG/N/MKD/21, 16.01.2018 |
| Article 18.2 (DS:1) | Domestic support commitments | Annual | G/AG/N/MKD/10, 15.02.2011 |
| Article 18.2 (MA:2) | Tariff and other quota commitments | Annual | G/AG/N/MKD/24, 28.01.2019 |
| **Agreement on Implementation of Article VI of the GATT 1994 (anti-dumping)** | | | |
| Article 16.4 | Anti-dumping actions | Semi-annual | G/ADP/N/314/Add.1/Rev.1, 23.10.2018 |
| Article 16.5 | Competent authority | *Ad hoc* | G/ADP/N/14/Add.46, 17.10.2018 |
| **Agreement on Implementation of Article VII of the GATT 1994 (customs valuation)** | | | |
| Article 22.2 | Changes in laws/regulations and administrative arrangements | *Ad hoc* | G/VAL/N/1/MKD/1, 09.03.2005 |
| Decision A.3 (G/VAL/5) | Date of application of the decision on the treatment of interest charges in the customs value of imported goods (VAL/6/Rev.1) | Once only | G/VAL/N/3/MKD/1, 16.02.2005 |
| Decision A.4 (G/VAL/5) | Date of application of the decision on the valuation of carrier media bearing software for data processing equipment (VAL/8) | Once only | G/VAL/N/3/MKD/1, 16.02.2005 |
| **Agreement on Import Licensing Procedures** | | | |
| Articles 5.1-5.4 | Import licensing procedures or changes thereto | *Ad hoc* | G/LIC/N/2/MKD/2, 14.12.2017 |
| Article 7.3 | Replies to questionnaire on import licensing procedures | Annual | G/LIC/N/3/MKD/7, 06.03.2018 |
| Article 8.2(b) | Changes in laws/regulations and administrative arrangements | *Ad hoc* | G/LIC/N/1/MKD/4, 28.09.2011 |
| **Agreement on Rules of Origin** | | | |
| Article 5 and para. 4 of Annex II | Judicial decisions and administrative rulings of general application relating to preferential and non-preferential rules of origin | Once, promptly after entry into force of the WTO Agreement | G/RO/N/45, 9.11.2004 |
| **Agreement on Safeguards** | | | |
| Article 12.6 | Legislation | *Ad hoc* | G/SG/N/1/MKD/1/Suppl.1, 28.06.2005 |
| **Agreement on the Application of Sanitary and Phytosanitary Measures** | | | |
| Article 7 and Annex B | Proposed and adopted SPS regulations | *Ad hoc* | G/SPS/N/MKD/5-8, 13.03.2019 |
| **Agreement on Subsidies and Countervailing Measures** | | | |
| Article 25.1, and Article XVI:1 of the GATT 1994 | New and full notification of subsidies | Annual | G/SCM/N/343/MKD, 19.03.2019 |
| Article 25.11 | Countervailing duty actions | Semi-annual | G/SCM/N/334/Add.1, 19.10.2018 |
| Article 25.12 | Competent authority | *Ad hoc* | G/SCM/N/18/Add.46, 17.10.2018 |
| Article 32.6 | Legislation | *Ad hoc* | G/SCM/N/1/MKD/1/Suppl.1, 28.09.2005 |
| **Agreement on Technical Barriers to Trade** | | | |
| Articles 2.9 and 5.6 | Technical regulations | *Ad hoc* | G/TBT/N/MKD/8, 27.03.2015 |
| Article 2.10 | Technical regulations (urgent) | *Ad hoc* | G/TBT/N/MKD/7, 04.05.2012 |
| Article 15.2 | Changes in legislation | *Ad hoc* | G/TBT/2/Add.84/Rev.1, 09.11.2012 |
| **Agreement on Trade Facilitation** | | | |
| Article 1.4 | Contact persons | *Ad hoc* | G/TFA/N/MKD/1/Rev.1, 16.01.2018<br>G/TFA/N/MKD/1/Rev.2, 12.11.2018<br>G/TFA/N/MKD/1, 22.09.2017 |
| Articles 15 and 16 | Category commitments | Additional information | G/TFA/N/MKD/2, 30.01.2018 |
| | | Only once | WT/PCTF/N/MKD/1, 13.02.2015 |
| **General Agreement on Trade in Services** | | | |
| Article III:3 | New, or any changes to existing, laws, regulations or administrative guidelines | *Ad hoc* | S/C/N/266/Corr.1, 17.02.2004 |
| Article V:7(a) | Regional trade agreements | *Ad hoc* | S/C/N/514, 07.10.2009 |

| Agreement | Description | Frequency | Symbol and date of latest notification |
|---|---|---|---|
| **Agreement on Trade-Related Aspects of Intellectual Property Rights** | | | |
| Article 63.2 | Laws and regulations | *Ad hoc* | IP/N/1/MKD/3, 30.09.2016<br>IP/N/1/MKD/4, 30.09.2016<br>IP/N/1/MKD/5, 30.09.2016<br>IP/N/1/MKD/6, 30.09.2016<br>IP/N/1/MKD/E/1, 30.09.2016<br>IP/N/1/MKD/E/2, 30.09.2016<br>IP/N/1/MKD/C/2, 30.09.2016<br>IP/N/1/MKD/I/3, 30.09.2016 |
| **GATT 1994** | | | |
| Article XVII:4(a) | State trading | Annual | G/STR/N/17/MKD, 27.07.2018<br>G/STR/N/15/MKD/Rev.2, 09.05.2018<br>G/STR/N/16/MKD/Rev.2, 09.05.2018 |
| Article XXIV:7(a) | Regional trade agreements | *Ad hoc* | WT/REG248/N/1, 27.08.2008<br>WT/REG233/N/1/Rev.1, 30.07.2007 |
| Article XXIV:7(c) and para. 14 of the Transparency Mechanism for Regional Trade Agreements (WT/L/671) | Changes in regional trade agreements | *Ad hoc* | WT/REG117/N/1/Add.4, 18.10.2010 |

Source: WTO Secretariat.

**Table A3. 1 Incentives under the 2018 Law on Financial Support of Investments**

| Purpose of financial support | Beneficiaries | Nature of support | Maximum annual amount | Maximum duration | Requirements |
|---|---|---|---|---|---|
| Creation of new and better-paid jobs | Companies that create jobs paying 50% or more than the minimum net wage | 20% support of the paid net wage for each new job | EUR 4,400 for each new job | 5 years | At least 75% of the newly-employed persons must meet one of the following:<br>i) were unemployed for the past 3 months;<br>ii) are employed for the first time by the beneficiary;<br>iii) their previous employment was terminated due to liquidation/bankruptcy procedures;<br>iv) were employed in the public or state administration prior to employment by the beneficiary |
| Cooperation with domestic suppliers[a] | Production companies located in technological industrial development zones (TIDZ) that purchase inputs/products from domestic suppliers to be integrated in a final product intended for export | 1% of the value of inputs/products purchased from domestic suppliers (excluding purchases from public utilities and professional services) | EUR 300,000 in MKD equivalent | 7 years | i) inputs/products purchased from domestic suppliers must account for 15% of the final product; and<br>ii) maintain the business activity for at least 3 years after the last instalment of financial support has been paid |
| Establishment of technology and R&D departments | Companies that establish departments or centres for R&D with highly qualified personnel | Up to 50% of total eligible costs (instruments and equipment, buildings, land, contractual research and patents, consultative services, additional and operating costs) | EUR 1,000,000 in MKD equivalent | 5 years | i) core activity must be manufacturing; and<br>ii) results of R&D must be applicable to production |
| Investments of significant economic interest to the country | Investments of at least:<br>• EUR 4 million and ensure at least 300 new jobs<br>• EUR 20 million | Possible forms:<br>i) exemption from income tax on employees' wages (North Macedonian citizens);<br>ii) Exemption from profit tax;<br>iii) cash grant amounting to 10% of the investment, up to EUR 1,000,000;<br>iv) cash grant (EUR 2,000 to EUR 4,000, depending on number of employees) per each employee earning at least 50% more than the minimum net wage | Up to 50% of total costs in accordance with the Law on State Aid Control | i) 10 years<br>ii) 10 years<br>iii) 3 years<br>iv) 4 years | i) maintain the investment and the newly created jobs for at least 5 years after the investment project has ended |

| Purpose of financial support | Beneficiaries | Nature of support | Maximum annual amount | Maximum duration | Requirements |
|---|---|---|---|---|---|
| Increases in capital investment and revenues | Companies that make initial or additional investments in machines and equipment or in premises and land necessary for their business | 10% of the investment<br>An additional 10% for investors that are part of the country's diaspora | EUR 1,000,000 in MKD equivalent | 5 years | i) The company must maintain at least the average number of employees and of revenues achieved in the previous 3 years; and<br>ii) maintain the investment for at least 5 years after the investment project has ended |
| Acquisition of companies in financial difficulties | Companies that acquire tangible assets from a business entity facing a bankruptcy or liquidation procedure | 10% of the costs for acquiring the tangible assets<br>An additional 10% for investors that are part of the country's diaspora | EUR 1,000,000 in MKD equivalent | A one-time payment within 1 year | i) The company must restart the activity of the business under bankruptcy/liquidation procedures;<br>ii) The company must not be related to the business under bankruptcy/liquidation procedures;<br>iii) the business under bankruptcy or liquidation procedures must have had at least 50 employees; and<br>iv) The company must maintain the new investment project for at least 5 years from its initiation |
| Increased market competitiveness | Companies that achieve growth in sales or revenues in the market | 10% of eligible investment costs<br>An additional 10% for investors that are part of the country's diaspora | EUR 1,000,000 in MKD equivalent | 5 years | i) The company must increase sales by at least 5% with respect to their average in the previous 3 years; and<br>ii) increase the average number of employees and the average revenue by at least 5% with respect to their average in the previous 3 years |
| Opening new markets and increasing sales | Companies that gain new markets and increase sales in new markets<br>Does not apply to TIDZ users | 20% of eligible costs (e.g. participation in fairs, business events and meetings abroad, foreign market research, product certification to meet foreign standards, marketing presentations and promotional materials) | EUR 30,000 in MKD equivalent | Until cap reached | i) The company must maintain or increase the number of employees compared to the average number of employees in the last three years; and<br>ii) increase revenue compared to the average revenue of the last three years |

a Supplier registered in North Macedonia.

Source: WTO Secretariat based on the Law on Financial Support of Investments.