

U.S. Country Commercial Guides



Macedonia 2018

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Doing Business in Macedonia

Market Overview

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

- EU and NATO candidate
- Ranked 11th best by the World Bank's Doing Business 2018 report
- Open economy that welcomes foreign direct investment and trade
- Middle-income country with per capita income of \$5,474 in 2017
- Sound macroeconomic fundamentals
- Stable currency pegged to the euro
- Low inflation (1.4 percent in 2017)
- GDP stagnated at zero percent in 2017
- Unemployment rate of 21.6 percent; youth unemployment of 44.3 percent
- Competitive wages (average monthly salary of \$421 in 2017)
- English-speaking workforce
- Low taxes: 10 percent rate on personal and corporate income
- Largest sources of FDI are Austria (12.4 percent of total), the Netherlands (11.4 percent), Germany (10.8 percent), Slovenia (10.0 percent), and Greece (8.3 percent)
- Total 2017 trade (imports plus exports) of \$13.4 billion, or 118.1 percent of GDP
- Largest trading partners in 2017 were Germany (26.7 percent of total trade), UK (6.4 percent) Greece (6.1 percent), Serbia (6.0 percent), and Bulgaria (5.0 percent)
- In 2017, the United States was Macedonia's 16th largest trading partner. U.S.- Macedonia trade totaled \$232 million, of which U.S. exports were \$176 million (Government of Macedonia statistics) In 2017, U.S.-Macedonia trade totaled \$297 million, of which U.S. exports were \$41 million (U.S. Government statistics)

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

Market Challenges

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

Market Opportunities

- The most successful U.S. trade products during 2017 in Macedonia were engine and engine parts, parts and accessories of vehicles, pharmaceutical preparations, chemicals, industrial machines, meat and

poultry, and computer hardware and software. **Energy** – The government has privatized some energy assets and is providing concessions for other energy opportunities. The private electricity distribution company continues to make substantial infrastructure investments.

- **Transportation** – As Macedonia upgrades its transportation infrastructure, there are opportunities in this sector.
- **Information Technology and Computers** – This growing sector continues to provide opportunities for U.S. companies.
- **Construction** – There are both export and investment opportunities available for U.S. companies in the construction and building materials sector.
- **Tourism** – The country's geographical location, scenic areas, and historic and religious sites provide opportunities for tourism industry investment, development, and management.
- **Agriculture** – Agriculture is an important segment of the economy, and there are opportunities for trade and investment in agriculture and food processing equipment.

Market Entry Strategy

- The best strategy to enter the market varies according to the product, service, industry, and company's long-term strategy.
- Visiting the country to determine the best market entry strategy is recommended.
- Before choosing local agents or distributors, due diligence is crucial. Maintaining close contact with them is also important.
- Establishing qualified local legal services for contract negotiations is highly advisable.

Political Environment

For background information on the political and economic environment of Macedonia, please read <https://www.state.gov/r/pa/ei/bgn/26759.htm>

Selling U.S. Products & Services

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

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

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

Establishing an Office

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

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

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

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

Franchising

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

Direct Marketing

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

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

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

Joint Ventures/Licensing

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

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

Selling to the Government

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

Macedonia's lack of transparency, political favoritism, corruption, and mismanagement are historically serious obstacles for companies bidding on public tenders. Some local and foreign companies reported that some government tenders were clearly written with a specific, politically connected, company in mind and that those politically connected firms sometimes tried to deter competitors from bidding. Businesses also reported late payments by the central and municipal governments for works, goods, and services. While the European Union's April 2018 report recommended that member states open accession negotiations with Macedonia, it also suggested Macedonia needs to do more to prevent irregularities and corruption during the procurement cycle and to ensure a transparent, efficient, and effective public procurement regime.

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

The law authorizes different types of public procurement procedures: open procedure, restricted procedure, competitive dialogue, negotiated procedure (with or without prior publication of a contract notice), and simplified competitive procedure. A simple tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases) must precede an award. Government entities are legally obligated to post all tenders above EUR 500 for goods and services and above EUR 200,000 for works on the EU Tenders Electronic Daily (TED) website.

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

Macedonia's public procurement suffers from low competition and annulments of tenders. Any bidder can contest the bid evaluation process. The Second Instance Commission reviews prospective tenders to ensure contracting authorities were not reducing competition through technical specifications. This has made public procurements slower and more expensive for contracting authorities without increasing competition.

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

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

Macedonia is in the process of acceding to the WTO Agreement on Government Procurement (GPA).

Distribution & Sales Channels

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

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

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

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

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

Express Delivery

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

International postal traffic is subject to customs supervision in accordance with local customs and postal laws and international postal regulations. Customs procedures are sometimes unduly burdensome. Goods that pass-through customs are released only after the payment of required duties. Currently, the *de minimis* threshold for goods that pass through customs is about 1,350 denars (per NBRM June 2018 middle exchange rate: USD 26.00).

Selling Factors & Techniques

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

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

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

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

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

eCommerce

eCommerce is growing in Macedonia, but is still relatively low, both in terms of local merchants selling and consumers shopping online. In 2010, less than 1 percent of Macedonia's citizens were buying online. A 2016 UNCTAD report measuring the B2C e-commerce index of countries ranked Macedonia 45 out of 137 countries.

By the end of December 2017 internet penetration was 75.9 percent, compared to 46 percent in 2010.

Of those with internet access, 20 percent ordered through the internet in 2017: 40.8 percent from local companies, 20.7 from the EU, and 58.6 percent from other areas of the world.

Analyses done by the Association of eCommerce of Macedonia (AECM), show that consumers in Macedonia in 2017 spent USD 124 million on online purchases of clothing and sports equipment. The orders are usually made on foreign eCommerce sites (outside Europe) of around USD 60 per order, one-to-three times over a period of 3 months.

Current Market Trends

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

Domestic eCommerce (B2C)

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

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

Cross-Border eCommerce

20 percent of citizens with internet access in Macedonia purchased online in 2017. 80 percent of them were made via AliExpress retail service and other foreign websites, mostly in the UK, Luxemburg, Hungary, the United States and Ireland. Users mostly ordered consumer goods such as clothes and sports equipment. For specific needs, eBay is used, although on a much smaller scale. Consumers are extremely price sensitive, and price is usually the decisive factor in purchase decisions.

B2B eCommerce

B2B eCommerce is under-developed in Macedonia. Only 10.3 percent of enterprises receive or place orders online. B2B eCommerce is most common in the ICT sector.

eCommerce Services

The eCommerce service system is not well developed in Macedonia. Largest service providers include [Makedonski Telekom](#), [Halkbank](#), [UNI Bank](#) and [Stopanska Banka](#).

eCommerce Intellectual Property Rights

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

Popular eCommerce Sites

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

Online Payment

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

Mobile eCommerce

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

Digital Marketing

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

Major Buying Holidays

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

Social Media

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

Trade Promotion & Advertising

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

Broadcast Media

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

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

Print Media

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

Internet

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

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

Outdoor Advertising

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

Direct Mail

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

Retail/Point-of-Sale Advertising

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

Trade Events/Fairs

Trade shows are an option for promoting consumer goods and industrial products in Macedonia. Local and foreign firms use trade fairs to build business connections and gain market visibility. A list of upcoming fairs and events can be found at [Skopje Fair](#).

Sponsorships and Special Promotions

Special events offer an excellent avenue to launch new products. Because event promotion is relatively new to Macedonia, it offers an opportunity for a company's products or services to stand out.

Advertising Agencies

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

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

Pricing

According to official March 2018 data, average monthly income in Macedonia is 23,694 denars (per NBRM June 2018 middle exchange rate: USD 454). Consumers are extremely price sensitive. Imported products tend to be priced substantially higher than locally produced goods. Favorable financing may be a critical selling factor for big-ticket items. An 18 percent value added tax (VAT) is charged on most goods and services.

Sales Service/Customer Support

Although sales service and customer support are relatively undeveloped, more local businesses are attempting to provide quality service to their customers. Firms selling capital equipment and technology may wish to emphasize product quality and after sales service. Foreign companies will need to train their local distributors and agents to communicate their firms' distinctive customer service policies and standards.

Protecting Intellectual Property

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

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

IP Attaché Contact

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Due Diligence

Few companies in Macedonia have Dunn & Bradstreet or other internationally recognized business ratings. There are some credit rating agencies in the country. The best source of in-depth analysis of a business partner in Macedonia is through one of the professional associations or companies listed in the next section. This should not be considered an exhaustive list. U.S. companies selling to companies in Macedonia for the first time should consider using instruments such as irrevocable letters of credit until a solid relationship of mutual trust is established. Enforcement of contracts and court judgments remains slow. Collecting delinquent payments from customers in Macedonia is difficult and expensive due to complex collection processes and the overloaded court system.

Local Professional Services

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

[Lawyers Association of Republic of Macedonia](#)

E-mail: mla@mla.org.mk

Accounting and Business Consulting Services

[Analysis and Advisory Group](#)

E-mail: aag@aag.com.mk

[Deloitte](#)

E-mail: lnanus@deloittece.com

[Ernst & Young](#)

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

[Grant Thornton](#)

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

[KPMG](#)

E-mail: mk-office@kpmg.com

[ND-Balkan](#)

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

[PricewaterhouseCoopers \(PwC\)](#)

E-mail: office@mk.pwc.com

Advertising

[McCann Skopje](#)

E-mail: mccann@mccann.com.mk

[Media Solutions](#)

E-mail: marketing@mediasolutions.mk

[New Moment](#)

E-mail: info@newmoment.mk

[Publicis Groupe](#)

E-mail: office@publicis.com.mk

Principal Business Associations

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

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

Limitations on Selling US Products and Services

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

Web Resources

[US Embassy in Macedonia](#)

[Macedonia Lawyers Association](#)

[Analysis and Advisory Group](#)

[Deloitte](#)

[EY Macedonia](#)

[Grant Thornton](#)

[KPMG](#)

[ND Balkan](#)

[PwC Macedonia](#)

[McCann Skopje](#)

[Media Solutions](#)

[New Moment](#)

[Publicis Macedonia](#)

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

[Business Confederation Macedonia](#)

[Economic Chamber of Macedonia](#)

[OEMVP](#)

[European Business Association](#)

[Foreign Investors Council](#)

[Macedonian Chambers of Commerce](#)

[Macedonian Chamber of Information and Communication Technologies](#)

Leading Sectors for US Exports & Investments

Energy

Overview

Energy market developments in Macedonia in 2017 included further construction of an internal gas distribution network, continued liberalization of the electricity market, and increased regional cooperation for electricity and gas interconnections. A new Energy Law, drafted in 2017 and passed in parliament in early June 2018, stipulates full liberalization of the electricity market by the end of 2019. It fully incorporates the directives of the EU Energy Community's Third Energy Package.

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

The electric power production system in Macedonia consists of two thermal power plants with a total of 800 MW installed capacity, eight large and several small hydro power plants with 650 MW installed capacity. The two thermal power plants produce 70 percent of country's total electricity. The smaller thermal power plant "REK Oslomej" is not in operation and its obsolete equipment is in urgent need of modernization. The government intends to convert its boiler to be able to burn high-caloric coal. Some modernization of the bigger thermal power plant "REK Bitola" was performed in 2017, but its equipment is also obsolete. There are two open pitch lignite mines with a total capacity of 7 million tons/year and estimated deposits for the next 20 years. Domestic lignite has low-caloric value and the government has announced plans to import coal. Despite some investments in modernization, domestic production of electricity decreased by about 25 percent in the last ten years, and electricity imports have risen to 36 percent of total consumption. The total annual production of electricity in 2017 was 5,229 GWh, which provided about 82 percent of the total domestic electricity needs. Macedonia is a full member of the Union for the Coordination of Production and Transmission of Electricity European Interconnection (UCPTE), which ensures interconnection compatibility with European electric power systems.

There are about 20 licensed energy suppliers in the country, but only four or five of them are active. They supply electricity at free market prices to the eligible companies who have chosen that option, reducing their electricity cost by about 20-30 percent.

The government has dropped the idea of offering a concession to private investors for large hydro power plants Chebren and Galishte with a combined 400 MW capacity. Instead, it decided the state-owned electricity producer ELEM should build one hydropower plant with up to 120 MW capacity. Multiyear financing for construction will be allocated from the state budget. The project has not yet begun.

ELEM owns and operates the only wind power capacity, a 36.5 MW wind park in the southern part of the country. It plans to increase that capacity to 50 MW.

A natural gas transportation pipeline operated by GA-MA, the gas transmission system operator jointly owned by the government and the largest oil distributor in Macedonia Makpetrol, carries Russian gas from the Bulgarian border to Skopje. Gazprom provides 100 percent of the capacity within the pipeline. This pipeline primarily supplies industrial users in the cities of Skopje, Kumanovo, and Kriva Palanka. The government has established Macedonian Energy Resources (MER) to oversee construction of an internal gas distribution network. The government continues its efforts to build natural gas interconnections with Greece and Bulgaria to diversify its sources of natural gas.

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

Leading Sub-Sectors

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

Renewable energy generation project opportunities, such as investments in electricity generation from wind and solar, and in thermal power generation systems are subject to quotas. There are also opportunities to promote more efficient use of electricity through home insulation and installation of more efficient heaters and electromechanical devices.

Opportunities

Macedonia welcomes investments in the energy sector. The government invites companies to design, build, and operate new large and small hydro power plants. Companies can also apply for tenders to construct sections of the national gas distribution network. ELEM is interested in upgrading the existing thermal power plants of "REK Oslomej" and "REK Bitola." In addition, the government is looking at the possibility of extending concessions for building small-scale hydro power plants along a few rivers in the country.

The government wants to increase the installed solar energy capacity from the current 20 MW to 200 MW. However, it plans to switch from offering a feed-in tariff to a premium tariff, while also offering free land and free connection to the electricity grid.

In addition to installing new 13.5 MW to the existing wind park, the government plans to increase the country's wind power capacity to 100 MW by tendering projects to interested private investors.

The government is considering converting the mothballed heavy oil-fired "TEC Negotino" power plant to natural gas, as well as constructing new gas-fired power plants. To improve air quality, the government has announced it would subsidize households' purchases of cleaner wood pellet stoves for home heating.

The 2017 tender for gasification of the capital of Skopje and two additional tenders for gasification of the eastern and western part of the country failed. The government is negotiating a loan with EBRD to finance the construction of a gas distribution network in the ten largest cities in the country. A few of those cities, including the city of Skopje, have established public enterprises in charge of gasification at the local level. The city of Strumica already has a basic gas network, importing compressed gas from Bulgaria by truck. The government is also looking at different possibilities for connecting the domestic network to alternative supply sources such as TAP and the LNG terminal in Greece.

Web Resources

[Ministry of Economy](#)

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

[Energy Regulatory Commission](#)

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

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

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

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

[Macedonian Energy Resources](#)

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

Transportation

Overview

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

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

Leading Sub-Sectors

Macedonia aims to position itself as a key crossroad in pan-European Corridor 8 (east-west) and Corridor 10 (north-south) inland transportation routes across Southeastern Europe. When it comes to shipping goods by land versus by sea, these surface transportation corridors cannot compete with alternative maritime routes on price alone. However, Macedonia believes it can capitalize on its advantage in terms of distance, compared to much longer sea routes, to be able to establish competitive transit routes across its territory. To date, the maintenance budget has been inadequate to keep roads in good condition. There are segments in the road network that require capacity expansion because of traffic growth. The expansion of motorway segments would provide additional business opportunities for U.S. companies.

Opportunities

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

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

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

Web Resources

[Public Enterprise for State Roads](#)

[Macedonian Railways](#)

[TAV – Macedonia](#)

Computers and Information Technology Equipment

Overview

With an annual growth rate between 2.3 and 7.7 percent over the last several years, the Information and Communication Technology (ICT) sector in Macedonia is a promising area for U.S. companies. The ICT sector in Macedonia benefits from a skilled and cost effective workforce with excellent English language skills, solid

telecommunications infrastructure, and low corporate tax. ICT representatives expect the sector will continue to grow.

The total ICT market value in Macedonia was an estimated USD 400 million in 2017. Hardware is the largest segment (55 percent) of the ICT market in Macedonia. ICT services are the second largest segment (30 percent), and software comprises 15 percent of the ICT market. Many large ICT companies, such as Microsoft, Cisco, Oracle, Dell, Compaq, Hewlett Packard, IBM, Sun Microsystems, Apple, and Lotus, are present in Macedonia via branch offices, distributors, dealers, resellers, solution providers, and business partners.

Leading Sub-Sectors

The best prospects continue to be in information and communication technologies such as smart phones, tablets, cloud technology, Wireless Application Protocol services, 4G equipment and solutions. There are also opportunities for alternative telephone service operators, as well as services such as call centers, home-work services, and distance learning services. Good opportunities continue to exist in the telecommunications sector for innovative peripheral products and services. The largest customers in telecommunications are the two mobile operators in Macedonia: [Makedonski Telekom](#) (part of Deutsche Telekom Group through controlling owner Magyar Telekom) and [Vip](#).

Opportunities

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

With the liberalization of the telecom industry in 2005 (the [Law on Electronic Communications](#)), many opportunities exist to sell products and services in this market.

Web Resources

[Agency for Electronic Communications](#)

[MASIT – ICT Chamber of Commerce](#)

[Ministry of Information Society and Administration](#)

[Ministry of Transport and Communications](#)

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

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

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

[Metamorphosis Foundation for Internet and Society](#)

Construction and Building Materials

Overview

The construction industry has accounted for between five and eight percent of annual GDP for over a decade. According to data compiled from building materials manufacturers, building construction continued to increase rapidly from 2006 – 2016, but slowed down in 2017. The construction industry's turnover was USD 513 million in 2017, compared to USD 577 million in 2016 (capital investments together with funds of the Public Enterprise for State Roads), almost 30 percent of which was spent on imported products, equipment, and fixtures.

Leading Sub-Sectors

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

Opportunities

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

Web Resources

[Civil Engineering Institute](#)

[Agency for Real Estate Cadastre](#)

Hotel and Restaurant Equipment / Tourism

Overview

The tourism sector offers export and investment opportunities and has significant potential for future development. The country's geographical location, mild climate, and historic and religious sites provide favorable conditions for the development of the tourism industry. Macedonia offers a full range of accommodations in 279 licensed hotels. Macedonia has many tourist attractions, including three natural lakes (Lake Ohrid, Lake Prespa, and Lake Dojran), and high mountains suitable for camping, hiking, and winter sports. The most popular tourist destination, which accounts for almost 80 percent of Macedonia's tourist revenues, is Lake Ohrid. The town of Ohrid is a UNESCO historical and cultural heritage site. Tourists primarily come from Turkey, Greece, Serbia, Bulgaria, the Netherlands, Albania, and Germany.

U.S. franchise hotels, Holiday Inn, Best Western, and Marriott are present in Skopje. Marriott is planning to open a second property in Skopje, a Courtyard by Marriott, in the coming years. As a newly built property, Double Tree by Hilton is planning to welcome its first guest in Skopje as of January 2019.

Leading Sub-Sectors

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

Opportunities

In order to attract visitors, the Value Added Tax (VAT) on tourism has been reduced from 18 percent to 5 percent. Investors in priority projects receive special benefits, such as zero percent personal income tax and zero percent VAT in the first 10 years of operation. USAID has supported the development of adventure tourism products in Macedonia, such as hiking, biking, and paragliding.

Web Resources

[The Ministry of Economy](#)

[The Association of Hotels, Restaurants, Cafes and Camps - HOTAM](#)

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

Agricultural Sector

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

Exports of agriculture and food products in 2017 constituted 10.71 percent of Macedonia's total exports. The top markets for agriculture and food products are the EU (50.5 percent of total exports, including Greece 16.6, Germany 13.7, and Croatia 13 percent), and CEFTA countries (31.31 percent). The main export products from Macedonia are tobacco, confectionary products, fresh and processed vegetables and fruits, and wine. The main import products are meat (poultry, beef and pork accounted for 20 percent of total agriculture imports), chocolates and confectionary, processed foods, and grains.

Macedonia-U.S. trade in agricultural products dropped from USD 44.5 million in 2016 to USD 40.5 million in 2017. The U.S. share of Macedonia's agricultural imports increased from 0.7 percent in 2016 to 1.0 percent in 2017. The share of Macedonia's agricultural exports going to the United States were 6.2 percent in 2016, but dropped to 5 percent in 2017, primarily due to the decreased exports of tobacco.

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

In 2014 the Government of Macedonia adopted a six-year National Strategy for Agriculture and Rural Development 2014 - 2020 to strengthen the ability of Macedonia's agricultural sector to compete in the EU and other regional markets and to promote sustainable development of rural areas. The strategy, which was a prerequisite for receiving the EU Instrument for Pre-accession Assistance (IPA) II in agriculture, also aims to improve the marketing of agricultural products and implementation of minimum quality standards so they are aligned with EU laws on the quality of agricultural products. Consequently, the total agriculture budget (including financial support to agricultural development and subsidies to farmers) has increased from USD 49.3 million in 2007 to USD 176 million in 2017 (exchange rate USD 1 = 55 MKD), and accounted for around 4.58 percent of the national budget in 2017. The government has promoted agriculture as one of the most important sectors for the development of the economy in Macedonia and adopted and amended several agriculture related laws to comply with EU requirements. As a result of financial support to the agriculture sector, the number of family farms in 2017 increased by 10,000 compared to 2016, bringing the total number of registered farm holdings in the State Farm Register to 160,000.

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

| | 2014 | 2015 | 2016 | 2017 (Estimated) |
|------------------------|-------------|-------------|-------------|------------------|
| Total Local Production | 1.858 bl\$ | 1.581 bl\$ | 1.532 bl\$ | n/a |
| Total Exports | 642.33 ml\$ | 537.56 ml\$ | 583.86 ml\$ | 630.56 ml\$ |
| Total Imports | 857.42 ml\$ | 773.82 ml\$ | 790 ml\$ | 905.26 ml\$ |
| Imports from the US | | | 507 ml\$ | 9.05 ml\$ |

| | | | | |
|---------------------------------|------------|------------|------|-----|
| | | | | |
| <u>Total Market Size</u> | 2.073 bl\$ | 1.817 bl\$ | n/a | n/a |
| Exchange Rates | 46.4 | 55.5 | 55.7 | 50 |

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

Leading Sub-Sectors

Wine production: Macedonia produces approximately 1 million hectoliters of beer, mostly for domestic consumption, and approximately 1 million hectoliters of wine annually in 76 wineries. It is a net exporter of wine, a strategic export product for the country. Approximately 65 percent of wine exports are in bulk and 35 percent are bottled. Over 80 percent of domestic wine production is exported, mainly to the EU, former Yugoslav countries, China, Canada, Japan, and the United States. Export opportunities exist for U.S. companies for equipment that will increase the volume of wine bottled in Macedonia and technology and supplies that will stimulate grape production.

Tobacco production: Tobacco was the top industrial crop in 2016, planted on 16,379 hectares or 80 percent of the total area for industrial crops. Although the area dedicated to tobacco decreased by about 10 percent in comparison with 2015, the production of tobacco (25,443 tons) increased by 5 percent. Almost the whole quantity of raw tobacco production is contracted by multinational companies through registered branches in the country and exported as fermented tobacco. The largest export market is the EU, followed by the United States and neighboring countries.

Organic production: Organic farming is an area for development. Over the past three years the amount of arable land certified for organic production and the number of companies involved grew. In 2017, there were 654 registered entities in the system of organic agricultural production in the country. They produce meat, dairy, honey, cereals, industrial oil crops, wine, fruits, and vegetables.

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

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

Opportunities

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

The Government of Macedonia considers agriculture a target area for future investments, growth and development, including increased foreign direct investment. The government provided significant financial

support to farmers over the past 5 years. The key weaknesses of the agriculture sector are the lack of modern equipment and lack of investment into processing facilities.

Domestic production of agricultural machinery is minimal, and the market relies on imports. There are substantial opportunities for U.S. companies in the agribusiness area for equipment that will add value to the food processing sector, such as bottling, packaging, and refining equipment. Experts have also identified problems in waste treatment and waste disposal, hygiene, and in meeting environmental standards.

Meat: Macedonia is net importer of meat and grains. Macedonia has insufficient meat production, and the number of farm animals continues to decrease. Macedonia meets over 50 percent of its meat consumption through imports. The poultry industry is focused on egg production. There is a surplus of eggs, but poultry meat production is insufficient to satisfy the local fresh meat market. The domestic pork industry satisfies almost 90 percent of the market for fresh meat; all of the needs for the meat processing industry comes from imports. There is a significant lack of beef, as most of the cattle are dairy cows. Lamb meat is the only net exported livestock product from the country. Around 85 percent of Macedonian lamb is exported to EU countries, mainly Greece and Italy, mostly around Christmas and Easter.

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

Web Resources

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

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

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

Customs, Regulations & Standards

Trade Barriers

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

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

For more information and help with trade barriers please contact:

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

ECCommunications@trade.gov

Import Tariff

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

Customs duties generally apply to most products imported into Macedonia. Preferential tariffs apply to countries with which Macedonia has signed a bilateral Free Trade Agreement, as well as to countries participating in multilateral trade agreements, such as the EU Stabilization and Association Agreement (SAA), European Free Trade Agreement (EFTA), Central European Free Trade Agreement (CEFTA). Customs tariffs in 2017, ranged from 0 – 35 percent. The customs tariffs are revised and amended on an annual basis, in conformity with the amendments to the Combined Nomenclature of the European Union. The amendments refer to the system of designations of the goods, system of numeric marking, unit prices, as well as notes concerning particular sections and chapters. The customs duties are determined by the Customs Tariff Law (Official Gazette of the Republic of Macedonia No. 23/2003, 69/2004, 10/2008, 35/2010, 11/2012, 93/2013, 44/15 and 81/15). Details on customs tariffs are available [here](#).

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

A Value Added Tax (VAT) of 18 percent is applied to most products and services. Food, potable bottled water, some printed materials such as newspapers, magazines, and educational books, raw materials and machinery

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

Import Requirements & Documentation

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

Based on the decision by the EU concerning the adoption of a decision by the EU-EFTA Joint Committee on common transit and a decision by the EU-EFTA Joint Committee on simplification of formalities in trade in goods as regards invitations to Macedonia to accede to those Conventions, as of July 1, 2015, [Macedonia's Customs Administration](#) has become a part of this customs system.

Labeling/Marking Requirements

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

U.S. Export Controls

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

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

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single searchable list as an aid to industry in conducting electronic screening of potential parties to regulated transactions is available [here](#).

Temporary Entry

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

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

Macedonia is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods. Presentation of an ATA carnet, or TIR carnet, facilitates the process. An entry carnet may be obtained from a local chamber of commerce in the United States. Carnets are usually valid for 1 year and list the products to be imported on a duty-free basis. The carnet must be presented upon entry into Macedonia. Customs will stamp the carnet, thereby validating it. Upon departure, the carnet must again be presented for validation, confirming that the product is being transported out of Macedonia. Failure to re-export the goods results in application of the

corresponding duties. For more information on ATA Carnets, contact the [U.S. Council for International Business](#) at 1-212-354-4480.

Prohibited & Restricted Imports

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

Customs Regulations

[Customs Administration of the Republic of Macedonia](#)

Lazar Licenoski 13

1000 Skopje

Republic of Macedonia

Phone: +389 2 322 4342

Fax: +389 2 323 7832

E-mail: info@customs.gov.mk

Standards for Trade

Overview

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

Standards

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

Regulatory functions:

Ministry of Economy, acting as a coordinator;

Other Ministries for specific topic areas.

Controlling functions:

Customs Administration;

State Market Inspectorate (Consumer Product Safety Authority).

Testing, inspection and certification

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

[Bureau of Metrology](#)

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

Laboratories, certification and controlling offices.

Publication of technical regulations

Each of the standardization and accreditation organizations issues bulletins on its procedures. Also, sector-regulating laws are published in the Official Gazette as adopted or amended.

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

Contact Information

U.S. Embassy – Skopje

Mr. Arben Gega, Commercial Specialist

Samoilova 21

1000 Skopje, Macedonia

Tel: 389-2-310-2403

E-mail: gegaa@state.gov

Trade Agreements

Macedonia became a member of the [Central European Trade Agreement \(CEFTA\)](#) in 2000. In December 2006 CEFTA expanded to include Albania, Bosnia and Herzegovina, Croatia (Note: in 2013 Croatia joined the EU and left CEFTA), Kosovo, Macedonia, Moldova, Montenegro, and Serbia. Macedonia has additional Free Trade Agreements (FTAs) with Turkey and Ukraine. In February 2001, Macedonia signed a Stabilization and Association Agreement (SAA) with the European Union, and in December 2005 the European Union granted candidate status to the country. A critical component of the SAA is a preferential trade agreement that allows products from Macedonia to enter the European Union duty free. The agreement also provides for a gradual reduction of duty rates for European Union products entering Macedonia.

Licensing Requirements for Professional Services

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

Web Resources

[Ministry of Economy](#)

[Ministry of Finance](#)

[Ministry of Education and Science](#)

[Ministry of Internal Affairs](#)

[Macedonia Customs Authority](#)

[Secretariat for European Affairs](#)

Investment Climate Statement

Executive Summary

Foreign investors largely postponed or cancelled potential new foreign direct investment (FDI) throughout 2017 due to political uncertainty. Macedonia formed a new, reform-oriented government on May 31, 2017, that publicly committed to putting the country back on the path to EU and NATO integration. Macedonia's new government has actively sought FDI, offering generous incentives for projects that create jobs. In the past, foreign investors included foreign auto parts companies attracted by Macedonia's competitive labor costs, proximity to European car manufacturers, and cooperative government assistance. During 2017, no new foreign investors opened operations in the free economic zones called Technological Industrial Development Zones (TIDZ). However, one large U.S. company already operating in one TIDZ successfully opened a new manufacturing operation in a second TIDZ. The new government recently announced in early 2018 that 10 new foreign-owned companies, mostly from Turkey, will open new operations in the TIDZs. The government published incentives to attract foreign investors and announced it will try to create links between domestic companies and the supply chains of foreign companies operating in the TIDZs. The new government's attitude toward FDI, as well as policies it has in place, are conducive to U.S. investment, and a number of U.S. companies successfully operate in Macedonia.

The 2017 World Bank's Doing Business Report ranked Macedonia the 11th best place in the world for doing business, down one spot from the previous year. Fitch affirmed Macedonia's BB credit rating, but upgraded its outlook to positive, and S&P affirmed its credit rating of the country at BB with a stable outlook. Transparency International ranked Macedonia 107th out of 180 countries in its Corruption Perception index, down 17 spots from 2016.

Large foreign companies operating in the TIDZs generally report positive experiences doing business in Macedonia and good relations with government officials. However, under the previous government small investors and domestic firms alleged that then ruling party VMRO-DPMNE awarded government tenders to companies linked to the ruling party, extorted funds from companies, pressured companies to hire party loyalists, retaliated against businesses believed to be supportive of opposition political parties, and attempted to take over independent firms through government harassment. The new government has vowed to end political interference in the private sector and free businesses from political pressure with mixed results thus far.

Macedonia's legal framework for foreign investors is generally in line with international standards. Macedonia generally treats foreign investors as well as domestic investors in similar circumstances. Under the former government, domestic and foreign companies expressed concerns about a lack of legal stability, predictability, and rule of law. Laws governing business activity were frequently changed, often without consultation with the business community, and the legal changes retroactively applied. The judicial system was inefficient and subject to political interference, and remains subject to influence by political parties. Corruption was widespread and largely went unpunished. There are allegations that the current government coalition continues to influence and pressure the judiciary. While the new government has pledged to enhance transparency and rule of law, it will take time and will need to overcome the deep-seated culture of state capture, cronyism, and corruption.

Table 1

| Measure | Year | Index/Rank | Website Address |
|---------------------------------|------|------------|---|
| TI Corruption Perceptions Index | 2017 | 107 of 180 | http://www.transparency.org/research/cpi/overview |
| World Bank's Doing Business | 2017 | 11 of 190 | http://www.doingbusiness.org/rankings |

| | | | |
|---|------|-----------|---|
| Report “Ease of Doing Business” | | | |
| Global Innovation Index | 2017 | 61 of 127 | https://www.globalinnovationindex.org/analysis-indicator |
| U.S. FDI in partner country (M USD, stock positions) | 2016 | USD 110 | http://www.bea.gov/international/factsheet/ |
| World Bank GNI per capita | 2016 | USD 4,980 | http://data.worldbank.org/indicator/NY.GNP.PCAP.CD |

Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

Attracting FDI is one of the government’s main pillars of economic growth and job creation. There are no laws or practices that discriminate against foreign investors. In March 2018, the government passed its “Plan for Economic Growth” (<http://vlada.mk/PlanEkonomskiRast>), which provides substantial incentives to foreign companies operating in the 15 free economic zones (Technological Industrial Development Zones - TIDZ). The incentives include a variety of measures including job creation subsidies, capital investment subsidies, and financial support to exporters. Also, Macedonia is a signatory to multilateral conventions protecting foreign investors and is party to a number of bilateral investment protection treaties, though none with the United States.

Two government ministers and multiple agencies promote Macedonia as an investment destination. [InvestMacedonia](#) - the Agency for Foreign Investments and Export Promotion, is the primary government institution in charge of facilitating foreign investments. It works directly with potential foreign investors, provides detailed explanations and guidance for registering a business in Macedonia, provides analysis on potential industries and sectors for investing, provides information on business regulations, and publishes reports about the Macedonian market. The Directorate for Macedonia’s [TIDZs](#), also assists foreign investors interested in operating in the free economic zones. It manages all administrative affairs of the free economic zones and assists foreign investors in developing their physical facilities.

The government maintains contact with large foreign investors through frequent meetings and formal surveys to solicit feedback. Large foreign investors can also directly and easily contact government leaders for assistance to resolve issues. The [Foreign Investors Council](#), advocates for foreign investors and suggests ways to improve the business environment.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign investors can invest directly in all industry and business sectors except those limited by law. For example, investment in the production of weapons and narcotics is subject to government approval. Investors in some sectors such as banking, financial services, insurance, and energy, must meet certain licensing requirements that apply equally to both domestic and foreign investors. Foreign investment may be in the form of money, equipment, or raw materials. Under the law, if assets are nationalized, foreign investors have the right to receive the full value of their investment. This provision does not apply to national investors.

InvestMacedonia conducts screening and due diligence review of FDI in a non-public procedure. The main purpose of the screening is to ensure economic benefit for the country and to protect national security; the process does not disadvantage foreign investors. More information about the screening process is available directly from [InvestMacedonia](#). U.S. investors are not disadvantaged or singled out by any of the ownership or control mechanisms, sector restrictions or investment screening mechanisms.

Other Investment Policy Reviews

There has been no third-party review of the government's investment policy in the past three years. The [World Trade Organization's](#) (WTO) last review of Macedonia's trade policy was published in 2014. There is no OECD investment policy review available on Macedonia. The most recent [United Nations Conference on Trade and Development](#) (UNCTAD) investment policy review on Macedonia, from March 2012. The International Monetary Fund (IMF) and the World Bank have assessed aspects of the government's policies for attracting foreign investment in their regular country reports.

Business Facilitation

All legal entities in the country must register with the Central Registry of Macedonia. Foreign businesses may register a limited liability company, single-member limited liability company, joint venture, joint stock company, as well as branches and representative offices. There is a one-stop-shop system that enables investors to register their businesses within a day by visiting an office, obtaining the information from a single location, and addressing an employee. Once the company is registered with the Central Registry it is valid for all other agencies. In addition to registering, some businesses must obtain additional working licenses or permits for their activities from relevant authorities. More information on business registration documentation and procedures is available at the Central Registry's website: <http://www.crm.com.mk>. All investors may register a company online at: <http://e-submit.crm.com.mk/eFiling/en/home.aspx>. Applications must be submitted by an authorized registration agent. The online business registration process is clear and complete, and available for use by foreign companies.

Outward Investment

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

Bilateral Investment Agreements and Taxation Treaties

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

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

Macedonia is a signatory of three multilateral Free Trade Agreements: the Stabilization and Association Agreement (SAA) with the EU member-states, giving Macedonia duty-free access to 650 million consumers; the European Free Trade Agreement (EFTA) with Switzerland, Norway, Iceland, and Liechtenstein; and the Central European Free Trade Agreement (CEFTA) with Albania, Bosnia and Herzegovina, Moldova, Montenegro, Serbia, and Kosovo. Bilateral Free Trade Agreements are in place with Turkey and Ukraine.

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

Legal Regime

Transparency of the Regulatory System

Macedonia has simplified regulations and procedures for large foreign investors operating in the TIDZ. However, Macedonia's overall regulatory environment is complex and nontransparent. Frequent regulatory and legislative changes and inconsistent interpretations of the rules create an unpredictable business environment that enables corruption. Until recently, the government negotiated the incentive terms used to attract foreign investors to the TIDZ in confidential negotiations, and the terms were not publicized. Recently, the government has published all incentives for businesses operating in Macedonia, which will be standardized and available to domestic and international companies. However, companies worth more than USD 1 billion that want to invest in Macedonia can negotiate terms different from the standard incentives. The government can offer customized incentive packages if the investment is of strategic importance. The legal regulatory and accounting systems used by the government are consistent with international norms.

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

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

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

The current government has promised to regularly communicate and consult with the business community and other stakeholders before amending and adopting legislation. It pledged to use the Unique National Electronic Register of Regulations (ENER), an online platform intended to facilitate public participation in policymaking, to increase the minimum comment period from 20 to 30 days, to minimize the use of short parliamentary procedures in lawmaking, and to include a phase-in period for legal changes to allow enterprises to adapt. Key institutions influencing the business climate will start publishing official and legally-binding instructions for implementation of laws. These institutions will be obliged to publish all relevant laws, by-laws, and internal procedures on their websites.

In February 2018, the government adopted a new Strategy for Public Administration Reform and Action Plan, which focuses on policy creation and coordination, strengthening of public service capacities, and increasing accountability and transparency.

International Regulatory Considerations

Macedonia is not a part of any regional economic bloc. As a candidate country for accession to the EU, it is gradually harmonizing its legal and regulatory system with EU standards. As a member of the WTO, Macedonia regularly notifies the WTO Committee on Technical Barriers to Trade of proposed amendments to technical regulations concerning trade. Macedonia ratified the Trade Facilitation Agreement (TFA) in July 2015 (Official Gazette 130/2015), becoming the 50th out of 134 members of WTO. In October 2017, the government formed a National Trade Facilitation Committee, chaired by the Minister of Economy, which includes 22 member institutions. The Committee held its first session in March 2018 to identify areas that need harmonization with TFA.

Legal System and Judicial Independence

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

In July 2015, parliament, without allowing public comment, introduced obligatory mediation in disputes between companies up to USD 16,871 in value as a precondition before going to court. Companies complain the measure, which went into effect February 1, 2016, imposes additional costs and protracts enforcement of contracts.

Numerous international reports have cited Macedonia's failure to fully respect the rule of law. Political interference, inefficiency, favoritism, prolonged processes, and corruption characterize the country's judicial system. Enforcing contracts and resolving commercial disputes in Macedonia's court system is time-consuming, costly, and subject to political pressures.

Laws and Regulations on Foreign Direct Investment

The Constitution of the Republic of Macedonia provides for free transfer and repatriation of investment capital and profits by foreign investors. Under Macedonia's law, foreign and domestic investors have equal opportunity to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments, nor a "one-stop-shop" website that provides all relevant laws, rules, procedures, and reporting requirements for investors. Rather, the legal framework is comprised of several laws including the Trade Companies Law; the Securities Law; the Profit Tax Law; the Customs Law; the Value Added Tax (VAT) Law; the Law on Trade; the Law on Acquiring Shareholding Companies; the Foreign Exchange Operations Law; the Payment Operations Law; the Law on Foreign Loan Relations; the Law on Privatization of State-owned Capital; the Law on Investment Funds; the Banking Law; the Labor Law; and the Law on Financial Discipline. [An unofficial English language version of the consolidated Law on Technological Industrial Development Zones](#) (free economic zones. No new major laws, regulations, or judicial decisions related to foreign investment passed during the past year. However, in May 2018 the Parliament passed a new [Law on Financial Support of Investments](#).

The Trade Companies Law

The [primary law regulating business activity in Macedonia](#) defines the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are granted national treatment, and are entitled to establish and to operate all types of private and joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

Law on Privatization of State-owned Capital

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

Foreign Loan Relations Law

This law regulates the credit relations of domestic entities with those abroad. Specifically, it regulates the terms by which foreign investors can convert their claims into deposits, shares or equity investments with the debtor

or bank. The Foreign Loan Relations Law also enables rescheduled debt to be converted into foreign investment in certain sectors or in secondary capital markets.

Law on Investment Funds

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

Law on Takeover of Shareholding Companies

The law regulates the conditions and procedures for purchasing more than 25 percent of the voting shares of a company. The company must be listed on an official stock market, have at least 25 employees, and have initial capital of EUR2 million. This law does not apply to shares in companies owned by the Republic of Macedonia.

Law on Foreign Exchange Operations

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

Profit Tax Law

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

Labor Law

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

Law on Financial Discipline

Effective from May 1, 2014, this law regulates timely payment of liabilities between private sector legal entities, and liabilities stemming from business relations between private sector and public sector legal entities (http://www.ujp.gov.mk/files/attachment/0000/0766/Zakon_za_finansiska_disciplina_215_07.12.2015.pdf).

Under the law, private entities must settle payment liabilities within 60 days of the day when the liability occurred. Failure to comply with the provisions of the law provides for high fines both for legal entities and for the responsible person.

Law on Financial Support of Investments

In February 2018, the government passed the Law on Financial Support of Investments. It is still pending parliament's approval. This law provides financial assistance to eligible foreign and domestic businesses.

Competition and Anti-Trust Laws

The Commission for Protection of Competition (CPC) is responsible for enforcing the Law on Protection of Competition. The CPC issues opinions on draft legislation that may impact competition. The CPC reviews the impact on competition of proposed mergers and can prohibit a merger or approve it with or without conditions. The CPC also reviews proposed state aid to private businesses, including foreign investors, under the Law on Control of State Aid (Official Gazette 145/10) and the Law on State Aid (Official Gazette 24/03). The CPC determines whether the state aid gives economic advantage to the recipient, is selective, and adversely influences competition and trade. More information on the CPC's activities is available at: <http://www.kzk.gov.mk/eng/index.asp>. There were no significant competition cases during the past year.

Expropriation and Compensation

According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 95/12, 131/12, 24/13, and 27/14), property under foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Under the Law on Expropriation, the state is obliged to pay market value for any property expropriated. If the payment is not made within 15 days of the expropriation, interest will accrue. These regulations have been strictly followed. The government has not undertaken any measures that have been alleged to be, or could be argued to be, indirect expropriation, such as confiscatory tax regimes or regulatory actions that deprive investors of substantial economic benefits from their investments.

Dispute Settlement

ICSID Convention and New York Convention

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

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

Investor-State Dispute Settlement

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

International Commercial Arbitration and Foreign Courts

Macedonia accepts international arbitration decisions on investment disputes. The country's Law on International Commercial Arbitration is modeled on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. Local courts recognize and enforce foreign arbitral awards and the judgments of foreign courts. Alternative dispute resolution mechanisms are available for settling disputes between two private parties but seldom utilized. A Permanent Court of Arbitration, established in 1993 within the Economic Chamber of Macedonia (a non-government business association), has the authority to administer both domestic and international disputes. Macedonia requires mediation in disputes between companies up to EUR15,000 (USD 18,360) in value before companies can go to court.

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

Bankruptcy Regulations

Macedonia's bankruptcy law governs the settlement of creditors' claims against insolvent debtors. Bankruptcy proceedings may be initiated over the property of a debtor, be it a legal entity, an individual, a deceased person, joint property of spouses, or business. However, bankruptcy proceedings may not be implemented over a public legal entity or property owned by the Republic of Macedonia. The World Bank's Doing Business Report for 2018 ranks Macedonia 30th out of 190 countries for ease of resolving insolvency.

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

Industrial Policies

Investment Incentives

Both the Law on Customs and the Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for profit tax exemptions for profits generated during the first three years of operation in proportion to the amount of foreign investment on: all profits reinvested in the company, profits invested in environmental protection, and profits invested in "underdeveloped" regions of the country. Companies with at least 20 percent foreign capital are exempt from customs duties for the first three years after their registration. The following additional benefits are also available to foreign investors: a 10 percent flat tax for corporate profits and personal income; relief from local taxes and fees; a tax exemption for duties on imported goods, raw materials, and equipment/machines; and symbolic land lease rate. Country's legislative framework for FDI is generally harmonized with EU state aid regulations.

Foreign Trade Zones/Free Ports/Trade Facilitation

Macedonia currently has 15 free economic zones in various stages of development throughout the country. The Directorate for Technological Industrial Development Zones (TIDZ) (<http://fez.gov.mk>) is responsible for developing and supervising 14 of them, including three fully operational TIDZ in the capital (Skopje 1, 2 and 3).

The Tetovo TIDZ is a public-private partnership. U.S. companies operate in TIDZs throughout Macedonia: Cap-Con Automotive Technologies (Skopje), Aptiv (Skopje), Kemet (Skopje), Key Safety Systems (Kichevo), Gentherm (Prilep), Lear (Tetovo), and Adient (Stip and Strumica).

Performance and Data Localization Requirements

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

Macedonia does not impose a “forced localization” policy for data. The government does not prevent or unduly impede companies from freely transmitting customer or other business-related data outside the country. Post is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to encryption. Furthermore, there are no measures that prevent or unduly impede companies from freely transmitting customer or other business-related data outside the country. However, based on the new EU General Data Protection Regulation (GDPR), which will be implemented starting in May 25, 2018, Macedonia’s Directorate for Personal Data Protection is preparing amendments to the Law on Personal Data Protection to harmonize Macedonia’s laws with the new EU regulations.

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

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

Protection of Property Rights

Real Property

Laws protect ownership of both movable and real property, but implementation of the laws is inconsistent. Mortgages and liens exist and are regularly used, and the recording system is reliable. Highly centralized control of government owned “construction land,” the lack of coordinated local and regional zoning plans, and the lack of an efficient construction permitting system continues to impede business and investments. Over the past few years, however, the government has significantly improved the cadaster system, which has increased the security and speed of real estate transactions. Over 97 percent of real estate records are digitized (Source: January – June 2017 Semi-Annual Report of the Agency for Real Estate Cadastre of Macedonia). The World Bank’s 2018 Doing Business Report ranks Macedonia 48th out of 190 for the ease of registering property, the same position it had in 2017.

Land leased or acquired by foreign and/or non-resident investors is regulated by the Law on Ownership and Other Real Rights. EU and OECD residents have the same rights as local residents in lease or acquisition of construction land or property, whereas non-EU and non-OECD residents’ property ownership is regulated under terms of reciprocity. Foreign residents cannot acquire agricultural land in Macedonia. Foreign investors may acquire property rights for buildings used in their business activities, as well as full ownership rights over construction land through a locally registered company. If the foreign company registers a local company, it can acquire land with full ownership rights similar to a domestic company.

Purchased land belongs to the owner and even if it remains unoccupied, cannot revert to other owners such as squatters. The exception to this is agricultural land granted by government as concessions. If the consignee

does not use the land per the agreement, then the government can cancel the concession and take back possession of the land.

Intellectual Property Rights

As an EU candidate country, Macedonia must harmonize its intellectual property rights (IPR) laws and regulations with EU standards and demonstrate adequate enforcement of those laws. The European Commission's 2017 report on Macedonia confirmed the country's legislative framework has a sufficient level of alignment with the EU *acquis* – with the exception of copyrights, where the regulation of collective management organizations requires further improvement. The report recommended Macedonia step up efforts to investigate and prosecute infringements of intellectual property, reinforce capacity and coordination among the authorities in charge of implementing the intellectual property laws, and improve consultation of stakeholders when drafting legislation.

Responsibility for IPR is disbursed among numerous institutions. The State Office of Industrial Property governs patents, trademarks, service marks, designs, models, and samples. A very small unit within the Ministry of Culture administers the protection of authors' rights and other related rights (e.g., music, film, television, etc.). The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeit or pirated goods. The Ministry of Interior is responsible for IPR-related crimes committed online. The Customs Administration has the right to seize suspect goods to prevent their distribution pending confirmation from the rights holder of the authenticity of the goods. The National Coordination Body for Intellectual Property periodically organizes interagency raids to seize counterfeit products, but usually focuses on small sellers in open-air markets.

While Macedonia has most necessary IPR laws in place, protection of IPR by the court system should be improved. Prosecutors and judges in both civil and criminal cases are aware of IPR laws, but lack adequate experience due to the small number of IPR cases and the lack of specialized courts to handle IPR cases. Many rights holders do not pursue legal action, as IPR infringers usually lack the financial resources to pay damages anyway. Courts reportedly are reluctant to find accused infringers of IPR guilty due to the criminalization of counterfeiting and stiff mandatory minimum sentences for small distributors of counterfeit goods. The penalties for IPR infringement range from 30 to 60 days closure of businesses, monetary fines of up to EUR5,000, (USD 5,795), or a prison sentence of up to five years. Macedonia does not track and report cumulative statistics on IPR infringement or seizures of counterfeit goods. Macedonia is not listed in the Office of the United States Trade Representative (USTR) Special 301 Report or the USTR Out-of-Cycle Review of Notorious Markets. However, the government currently uses, and has for the past ten years, unlicensed Microsoft software. In early 2018, the government initiated talks to resolve the issue.

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

Financial Sector

Capital Markets and Portfolio Investment

Macedonia's capital market is modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. Following the 12.5 percent rise in 2016, market capitalization in 2017 accelerated by 17.8 percent to USD 2.7 billion. The main index, MBI10, increased by 18.9 percent, reaching 2,539 points at year-end. Foreign portfolio investors accounted for an averaged 17.4 percent of total MSE turnover, 0.3 percentage points less than in 2016 (Source: MSE) The authorities do not discriminate against foreign portfolio investments in any way.

There is an effective regulatory system for portfolio investments, and Macedonia's Securities and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. In 2017, the total number of listed companies was 128, seven more than a year ago, and total turnover jumped up by 56.7 percent (Source: MSE) Overall liquidity of the market is modest compared to international standards. Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007.

There are no legal barriers to the free flow of financial resources and portfolio investments. The Central Bank respects IMF Article VIII and does not impose restrictions on payments and transfers for current international transactions. Credit is provided at market rates to both domestic and foreign companies.

Money and Banking System

The International Monetary Fund assessed in its regular November 2017 report that Macedonia's banking sector is healthy, well-capitalized, and profitable. Domestic companies secure financing primarily from their own cash flow and from bank loans, due to the lack of corporate bonds and other securities as credit instruments.

Financial resources are almost entirely managed through Macedonia's banking system, consisting of 15 banks and a central bank. It is a highly concentrated system, with the three largest banks controlling 57.8 percent of the banking sector's total assets of about USD 8.8 billion, and collecting 70 percent of total household deposits. The two largest commercial banks in the country have estimated total assets of about USD 1.6 billion each. The ten smallest banks, which have individual market share of less than 5 percent, account for one-fourth of total banking sector assets. Foreign banks or branches are allowed to establish operations in the country at equal terms as domestic, subject to licensing from the central bank. In 2017, foreign capital remained present in 14 of Macedonia's 15 banks, and was dominant in 11 banks, controlling 70.3 percent of total banking sector assets, 78.1 percent of total loans, and 69.4 percent of total deposits (Source: National Bank of the Republic of Macedonia).

According to the National Bank of the Republic of Macedonia (NBRM – the Central Bank) the banking sector's non-performing loans at the end of the third quarter of 2017 (latest available data) were 6.6 percent of total loans, dropping by 0.9 percentage points. Total profits at the end of the third quarter of 2017 reached USD 92 million, which was 7.5 percent lower than in the same period of the previous year.

Banks' liquid assets at the end of the third quarter of 2017 were 29.5 percent of total assets, which was only 0.2 percentage points lower compared to the same period of 2016, but still remained comfortably high. In 2017 NBRM conducted different stress-test scenarios on banking sector sensitivity to increased credit risk, liquidity shocks, and insolvency shocks, all of which showed that the banking sector is healthy and resilient to shocks, with capital adequacy ratio remaining well above the legally required minimum of eight percent. Actual capital adequacy ratio of the banking sector increased from 15.7 in September 2016 to 16.2 in September 2017, with none of the individual banks having a ratio below 10 percent.

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

Foreign Exchange and Remittances

Foreign Exchange Policies

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

Parallel foreign exchange markets do not exist in Macedonia, largely due to the long-term stability of the Denar. The NBRM is pursuing a strategy of a pegged Denar to the Euro and has successfully kept it at the same level since 1997. According to NBRM statistics, the inflation is low, standing at 1.4 percent in 2017.

Remittance Policies

There were no changes in investment remittance policies, and there are no plans for changes to the regulations. The Constitution of Macedonia guarantees free transfer and repatriation of investment capital and profits. By law, foreign investors are entitled to transfer profits and income without being subject to a transfer tax. Investment returns are generally remitted within three working days. There are no legal limitations on private financial transfers to and from Macedonia. Remittances from workers in the diaspora represent a significant source of income for Macedonia's households. In 2017, net private transfers amounted to USD 0.8 billion, accounting for 16 percent of GDP.

Sovereign Wealth Funds

Macedonia does not have a sovereign wealth fund.

State-Owned Enterprises

There are about 120 state-owned enterprises (SOEs) in Macedonia, the majority of which are public utilities in which the central government is the majority shareholder. The 81 local governments also own local public utility enterprises. In March 2018, the government estimated that about 8,600 people are employed in SOEs. SOEs operate in several sectors of the economy including energy, transportation, and media. There are also industries such as arms production and narcotics in which private enterprises may not operate without government approval. SOEs are governed by boards of directors consisting of members appointed by the government. All SOEs are subject to the same tax policies as private sector companies. SOEs are allowed to purchase or supply goods or services from the private sector and are not given material advantages such as preferential access to land and raw materials.

There is no published registry with complete information on all SOEs in the country, but [basic information on SOEs is available](#).

A 2016 report by Transparency International-Macedonia commented that "policy decisions related to SOEs often comply with the political needs of the ruling political establishment, such as needs for employment... rather than with the actual needs of the SOEs." The new government declared it would change that practice, and there have not been reports of massive hires of party members in SOEs since the government took office in June 2017. Macedonia is not a signatory to the OECD Guidelines on Corporate Governance for SOEs. In February 2018, the government sent its bid to the WTO to upgrade its status from observer to a fully-fledged member of the Government Procurement Agreement (GPA).

Privatization Program

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

Responsible Business Conduct

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

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

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

The American Chamber of Commerce in Macedonia has a committee on Community Engagement and Responsible Business Conduct, which organizes seminars on relevant topics and maintains an online database of corporate social responsibility (CSR) activities carried out by over 260 companies in 2015-2017 at <http://csr.amcham.com.mk/>. The government does not take any measures to encourage adherence to the OECD Due Diligence Guidance for Responsibility Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. Macedonia does not participate in the Extractive Industries Transparency Initiative.

Corruption

Macedonia has laws intended to counter bribery, abuse of official position, and conflicts-of-interest; government officials and their close relatives are legally required to disclose their income and assets. However, enforcement of anti-corruption laws has at times been weak and selectively targeted government critics and low-level offenders. There have been credible allegations of corruption in law enforcement, the judiciary, and many other sectors. All members of the State Commission for Prevention of Corruption (<https://www.dksk.mk/index.php?id=home>), established in 2002 to prevent corruption and conflicts of interest, submitted their resignations in March 2018, after media reported on excessive and fraudulent travel invoicing. The Special Prosecutor's Office (SPO) was established in 2015 to investigate cases linked to a wiretapping scandal that revealed extensive abuse of office by public officials, including alleged corruption in public tenders. Transparency International ranked Macedonia 107th out of 180 countries on the 2017 Corruption Perception Index. The new government formed in May 2017 vowed to combat corruption and abuse of power, reform public procurement to eliminate pre-arranged tenders for favored companies, and depoliticize state institutions.

To fight corruption, the government uses an automated electronic customs clearance process, which allows businesses to monitor the status of their applications. As a result of weak performance and extended procedural delays, the government abolished the Council for Public Procurement in 2018, in order to make the public procurement system more efficient.

The government does not require private companies to establish internal codes of conduct prohibiting bribery of public officials. A number of NGOs focus on anti-corruption; the government does not provide any special

protections to NGOs involved in investigating corruption. Macedonia has ratified the UN Convention against Corruption and the UN Convention against Transnational Organized Crime and has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery.

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

Resources to Report Corruption

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

State Commission for Prevention of Corruption

Public Relations

Dame Gruev 1

1000 Skopje, Macedonia

+389 2 321 5377

dksk@dksk.org.mk

Public Prosecution Office for Fighting Organized Crime and Corruption

Acting Chief, Ms. Gordana Smakjoska

Boulevard Krste Misirkov BB, Sudska Palata

1000 Skopje, Macedonia

+389 2 321 9884

gordanasmakoska@jorm.gov.mk

Ministry of Interior - Organized Crime and Corruption Department

Dimce Mircev bb

1000 Skopje, Macedonia

+ 389 2 314 3150

Transparency International – Macedonia

President, Ms. Slagjana Taseva

Naum Naumovski Borce 58

P.O. Box 270

1000 Skopje, Macedonia

+389 2 321 7000

Political and Security Environment

Macedonia generally has been free from political violence over the past decade, although interethnic relations are strained at times. However, protesters stormed parliament and violently attacked members after the election of a new speaker on April 27, 2017. More than 100 were injured, including the now prime minister and seven other MPs. The government is prosecuting over 30 individuals charged in orchestrating and carrying out the attack. Public protests, demonstrations, and strikes occur sporadically, and often result in disruptions, particularly near the center of Skopje.

There is no widespread anti-American or anti-Western sentiment in Macedonia. There have been no incidents in recent years involving politically-motivated damage to projects or installations. Violent crime against U.S.

citizens is rare. Theft and other petty street crimes do occur, particularly in areas where tourists and foreigners congregate.

Labor Policies and Practices

Foreign investors, especially those in labor-intensive industries, find Macedonia's competitive labor costs and high number of English speakers attractive. The average net wage in 2017 was USD 458 per month, but reportedly about 60 percent of workers receive wages lower than that average. In September 2017, the minimum wage was raised from MKD10,080 (USD 183) to MKD12,000 MKD (USD 240) per month. The new government has promised to raise the minimum wage to MKD16,000 (USD 320) by the end of its mandate in 2020.

In 2017, Macedonia's labor force consisted of 954,212 people, of which 740,648 (44.1 percent) were employed and 213,564 (22.4 percent) were officially unemployed. Macedonia's employed labor force is roughly 61 percent male and 39 percent female. The total unemployment rate for youth ages 15 to 24 years old was 44.4 percent, down 0.6 percent from 2016. About 20 percent of the unemployed have university-level education (Source: State Statistical Office).

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

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

Employment of foreign citizens is regulated by the Law on Employment and Work of Foreigners: http://mtsp.gov.mk/content/pdf/zakoni/Zakon_vrabotuvanje_stranci_21715.pdf. There is no limitation on the number of employed foreign nationals or the duration of their stay. Work permits are required for foreign nationals, and an employment contract must be signed upon hiring. The employment contract, which must be in writing and kept on the work premises, should address the following provisions: description of the employee's duties, duration of the contract (finite or indefinite), effective and termination dates, location of the work place, hours of work, rest and vacation periods, qualifications and training, and salary and pay schedule.

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

Trade unions are interest-based, legally autonomous labor organizations. Membership is voluntary and activities are financed by membership dues. About 20 to 25 percent of legally employed workers are dues-

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

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

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

An out-of-court mechanism for labor dispute resolution was introduced in 2015 with assistance from the ILO, financed by the EU. Macedonian labor regulations comply with international labor standards and are in line with the ILO. Besides the raising of minimum wage mentioned above, no new labor laws or regulations were enacted in 2017.

OPIC and Other Investment Insurance Programs

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

OPIC and MIGA are the country's chief investment insurance providers. OPIC insurance and project financing have been available to investors in Macedonia since 1996. OPIC's three main activities are risk insurance, project finance, and investment funding. MIGA provides investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors who make qualified investments in developing member countries.

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

Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

| | Host Country Statistical Source* | USG or International Statistical Source | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|--|---|--|---|
|--|---|--|---|

| Economic Data | Year | Amount | Year | Amount | |
|--|----------------------------------|------------|---|------------|---|
| Host Country Gross Domestic Product (GDP) (M USD) | 2017 | USD 11,339 | 2016 | USD 10,900 | www.worldbank.org/en/country |
| Foreign Direct Investment | Host Country Statistical Source* | | USG or International Statistical Source | | USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
| U.S. FDI in partner country (M USD, stock positions) | 2017 | USD 93 | 2016 | USD 110 | BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm |
| Host country's FDI in the United States (M USD, stock positions) | 2016 | USD 5 | 2016 | USD 0 | BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm |
| Total inbound stock of FDI as % host GDP | 2017 | 2.0 | 2017 | 2.8 | IMF estimate |

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

Table 3: Sources and Destination of FDI

| Direct Investment from/in Counterpart Economy Data | | | | | |
|---|--|-------|---------------------------|----------------------|------|
| From Top Five Sources/To Top Five Destinations (US Dollars, Millions) | | | | | |
| Inward Direct Investment | | | Outward Direct Investment | | |
| Total Inward | | 4,909 | | Total Outward | 81 |
| | | 100% | | | 100% |
| Austria | | 598 | 12.2% | Serbia | 54 |
| United Kingdom | | 547 | 11.1% | Netherlands | 26 |
| Greece | | 488 | 9.9% | Bosnia & Herzegovina | 21 |
| Netherlands | | 446 | 9.1% | Slovenia | 12 |
| Slovenia | | 395 | 8.0% | Russian Federation | 8 |
| | | | | | 9.9% |

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

The results from the International Monetary Fund (IMF) on inward direct investment presented in Table 3 differ from the data provided by the NBRM due to different means of determining the country of origin of

investments. For example, the IMF credits investments to countries from where the transactions were made, whereas the NBRM credits investments to the country where the transactions originated, if the bank can determine it. According to the NBRM, as of end-2017, the largest source of inward FDI is Austria with USD 700 million (12.4 percent of total investments), followed by the Netherlands with USD 643 million (11.4 percent), and Germany with USD 612 million (10.8 percent).

Table 4: Sources of Portfolio Investment

| Portfolio Investment Assets | | | | | | | | |
|---|-----|-------|-----------------------------|-----|-------|------------------------------|----|-------|
| Top Five Partners (Millions, US Dollars) | | | | | | | | |
| Total | | | Equity Securities | | | Total Debt Securities | | |
| All Countries | 269 | 100% | All Countries | 247 | 100% | All Countries | 22 | 100% |
| United States | 185 | 68.9% | United States | 182 | 73.9% | Austria | 12 | 53.0% |
| Germany | 44 | 16.4% | Germany | 44 | 17.8% | United States | 3 | 14.1% |
| Austria | 12 | 4.4% | France | 8 | 3.1% | Russian Federation | 1 | 6.5% |
| France | 9 | 3.3% | International Organizations | 5 | 2.0% | Slovenia | 1 | 6.0% |
| International Organizations | 5 | 1.8% | Switzerland | 4 | 1.5% | France | 1 | 4.9% |

Contact for More Information

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

Trade & Project Financing

Methods of Payment

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

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

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

Banking Systems

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

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

The banking system in Macedonia consists of 14 private banks, one state-owned bank (Macedonian Bank for Development Promotion), and three savings houses. According to the Banking Law, banks observe the principles of profit maximization, liquidity, safety, and profitability. A foreign bank could have a presence either as a legal entity or by opening a branch or a representative office. In 2017, foreign capital was present in 14 and was dominant in 11 banks, controlling 70.3 percent of total banking sector assets, 78.1 percent of total loans, and 69.4 percent of total deposits. Changes in the Banking Law in 2013 allowed savings houses to transform either into a financial company, which is subject to less restrictive supervision, or into a bank. Three legal entities are operating as financial companies, which, according to legislation, do not receive deposits, and are subject to supervision by the Ministry of Finance. There is no separate legislation regulating non-bank financial institutions, and they are regulated with the provisions of the previous Banking Law and appropriate sub-laws.

The three largest banks, Komercijalna Banka, Stopanska Banka Skopje, and NLB Bank, hold 57.8 percent of the total assets, and collect 70 percent of total households' deposits. The ten smallest banks have individual market share of less than five percent, and cumulatively account for 25 percent of total banking assets. The savings houses' share in total assets of deposit-taking institutions in 2017 was unchanged at 0.6 percent, while their share in total loans was 0.7 percent.

In 2017, total deposits increased by 5.1 percent, slightly less than in 2016. Households' deposits grew by 6.2 percent, while enterprises' deposits grew by only 2.4 percent. Total loans to enterprises and households grew by 5.9 percent on an annual basis, mostly due to higher consumer loans to households (9.7 percent), while loans to enterprises increased (2.9 percent). Banks' liquidity ratio (liquid assets/total assets) remained high despite the slight drop from 30.9 percent to 29.8 percent. The structure of liquid assets remained the same, as banks tend to keep most of their liquidity safe by purchasing treasury bills and bonds, Central Bank bills, or keeping accounts abroad. The capital adequacy ratio of the banking sector increased from 15.2 percent in 2016 to 15.7 percent in 2017. The overall non-performing loans (NPL) ratio dropped to 6.3 percent, with NPL ratio of households remaining low at 2.4 percent, and NPL of enterprises standing at 10 percent, due to a few defaults in the construction sector.

In 2017 NBRM conducted different stress-test scenarios on banking sector sensitivity to increased credit risk, liquidity shocks, and insolvency shocks. All tests showed that the banking sector is healthy and resilient to such shocks, with capital adequacy ratio remaining well above the legally required minimum of eight percent. Banking supervision is in full compliance with BASEL 2 recommendations, and it is currently implementing provisions of BASEL 3 standards.

In 2017, total assets of Macedonia's banking sector reached \$8.8 billion, 3.9 percent more compared to 2016. All but two smaller banks were profitable in 2017, and the banking sector's overall profitability reached \$123 million, which was 3.6 percent higher compared to the previous year. The profitability indicators in 2017 were almost unchanged from the previous year. The indicator ROE (return on equity) reached 13.5 percent, while ROA (return on assets) was 1.4 percent. At the end of 2017, the banking sector employed 5,929 people, which is a drop of 56 employees compared to 2016.

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

The reference rate (interest rate on 28-day Central Bank bills) was cut in March 2018 from 3.25 percent to three percent. The weighted average lending rate of the banking system in 2017 was six percent, while the weighted average deposit rate was 1.6 percent.

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

Foreign Exchange Controls

Macedonia does not restrict reinvestment or repatriation of profits and investment capital. Foreign investors are entitled to transfer profits and income without being subject to a transfer tax. Investment returns are generally remitted within three working days. There are also no legal limitations on private financial transfers, foreign exchange transactions, and capital movements. Local companies can pay for imported goods or services in foreign currencies, as they are allowed to hold a foreign exchange account in one or more banks.

US Banks & Local Correspondent Banks

There are no U.S. banks present in Macedonia.

Major banks in Macedonia:

[Komercijalna Banka AD](#)

Orce Nikolov 3

P. O. Box 563

1000 Skopje, Republic of Macedonia

Tel: 389-2-316-8168

Fax: 389-2-322-0975

[Stopanska Banka AD Skopje](#)

11 Oktomvri 7

1000 Skopje, Republic of Macedonia

Tel: 389-2-329-5295

Fax: 389-2-311-4503

[NLB Bank](#)

Mother Teresa 1

1000 Skopje, Republic of Macedonia

Tel: 389-2-15-600

Fax: 389-2-310-5681

[Ohridska Banka - Societe Generale Group](#)

Orce Nikolov 54

1000 Skopje, Republic of Macedonia

Tel: 389-2-316-7600

Fax: 389-2-311-7164

[Halkbank](#)

Mito Hadzivasilev Jasmin bb

1000 Skopje, Republic of Macedonia

Tel: 389-2-324-0800

Fax: 389-2-329-6330

[ProCredit Bank](#)

Manapo bb (behind City Mall)

1000 Skopje, Republic of Macedonia

Tel: 389-2-324-6000

Fax: 389-2-321-9901

[Sparkasse Bank](#)

[Makedonija 9 – 11](#)

[1000, Skopje, Republic of Macedonia](#)

[Tel: 389-2-320-0501](#)

[Fax: 389-2-320-0515](#)

[Macedonian Bank for Development Promotion](#)

Dimitrie Cupovski 26

1000 Skopje, Republic of Macedonia

Tel: 389-2-311-5844

Fax: 389-2-323-9688

Project Financing

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

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

Multilateral Development Banks:

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

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

Financing Web Resources

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

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

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

[OPIC](#)

[United States Trade and Development Agency](#)

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

[USDA Commodity Credit Corporation](#)

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

[Multilateral Investment Guarantee Agency](#)

Business Travel

Business Customs

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

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

Travel Advisory

Prior to travel, U.S. citizens should check the [U.S. Embassy Skopje website](#) and the [State Department site](#) for the latest travel warnings and advisories. Travelers may also contact the Consular Section at the U.S. Embassy in Skopje.

Phone: + 389-2-310-2000

Email: consularskopje@state.gov

Fax: + 389-2-310-2299)

Protests have occasionally devolved into localized violent incidents. Public protests, demonstrations, and strikes occur sporadically in Macedonia, often resulting in disruptions, particularly near the center of Skopje. You should avoid demonstration areas and exercise caution if traveling near demonstrations.

Violent crime against U.S. citizens is rare. Theft and other petty street crimes do occur, particularly in areas where tourists and foreigners congregate. Do not leave anything of value in plain view in unattended vehicles. ATM use is generally safe; however, take standard safety precautions and be aware of your surroundings.

Visa Requirements

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

U.S. companies that require travel by Macedonia's citizens to the United States for business purposes should review [general information on visas](#) and the U.S. Embassy's [website](#).

Visa applicants should go to the following links:

- [State Department Visa Website](#)

[U.S. Embassy – Skopje, Macedonia](#)

Currency

The Macedonian denar (MKD) is the official currency of Macedonia; euros, U.S. dollars, and other foreign currencies are not accepted as payment. You can change money at banks or official exchange offices. ATMs are

widespread in Skopje and major towns. Almost all ATMs accept international bank cards and have an English language option.

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

Travelers checks are not used in Macedonia.

Telecommunications/Electronics

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

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

Macedonia's international calling code is +389 when dialing Macedonia from outside the country. The international call prefix for calls from Macedonia to other countries is 00. Most hotels offer Wi-Fi throughout the building. Public hotspots in urban areas are also available, especially in coffee shops and restaurants.

There are several Internet access service companies that provide telecommunications services including data communications access and telephone connection. See Travel Related Web Resources.

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

Transportation

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

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

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

Tel: 389-2-314-8333

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

Tel: 389-46-252-830

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

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

[Adria Airways](#)

Tel: 389-2-311-7009

[Alitalia](#)

[Air Serbia](#)

Tel: 389-2-311-8306

[Austrian Airlines](#)

Tel: 389-2-314-8372

[Croatia Airlines](#)

Tel: 389-2-256-1850

[Czech Airlines](#)

[flydubai](#)

[Pegasus Airlines](#)

[Qatar Airways](#)

[Swiss Air](#)

[Turkish Airlines](#)

Tel: 389-2-311-6149

[Wizz Air](#)

Road travel

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

Rent a Car Agencies:

[AVIS Rent a Car](#)

Tel: 389-2-256-1847

[EUROPCAR](#)

Tel: 389-70-205-546

[SIXT Rent a Car](#)

Tel: 389-75-448-902

[HERTZ Automobile SK](#)

Tel: 389-70-217-881

Public Transportation

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

Macedonia has a limited rail network that is not typically used by visitors. Macedonia's railroad system is connected to Serbia and Kosovo to the north and to Greece in the south. A railway link with Bulgaria is under construction. Train travel, while inexpensive, is not advisable in Macedonia.

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

Walking

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

Language

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

Health

We recommend purchasing comprehensive insurance that covers overseas medical expenses and medical evacuation costs before travelling. Most care providers overseas only accept cash payments. U.S. embassies do not pay medical bills and U.S. Medicare does not apply overseas.

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

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

Local Time, Business Hours and Holidays

Time: GMT + 1 hour

Business Hours: 08:30 – 16:30

2018 Holidays:

| | |
|-------------|-----------------------------------|
| January 1 | New Year's Day |
| January 7 | Orthodox Christmas |
| April 8 | Orthodox Easter |
| May 1 | Labor Day |
| May 24 | Saints Cyril and Methodius Day |
| June 15 | Ramadan Bajram (Eid al-Fitr) |
| August 2 | Ilinden Uprising Day |
| September 8 | Independence Day |
| October 11 | People's Uprising Against Fascism |
| October 23 | Revolutionary Struggle Day |
| December 8 | Saint Clement of Ohrid Day |

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

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

Temporary Entry of Materials or Personal Belongings

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

Travel Related Web Resources

[T Makedonski Telekom](#)

Tel: 389-2-310-0200

[VIP](#)

Tel: 389-77-1234

[UNET](#)

Tel: 389-2-306-6505

[Neotel](#)

Tel: 389-2-551-1100