Macedonia

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Macedonia	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grapes, tobacco, vegetables, fruits; milk, eggs

Industries:

food processing, beverages, textiles, chemicals, iron, steel, cement, energy, pharmaceuticals

Exports - commodities:

food, beverages, tobacco; textiles, miscellaneous manufactures, iron, steel; automotive parts

Exports - partners:

Germany 25.5%, Italy 6.1%, Bulgaria 5.2%, Greece 4.5% (2012)

Imports - commodities:

machinery and equipment, automobiles, chemicals, fuels, food products

Imports - partners:

Greece 17.7%, Germany 11.5%, UK 9.3%, Bulgaria 8.7%, Italy 5%, Turkey 4.8% (2012)

Investment Restrictions:

As a small, open economy, Macedonia is heavily dependent on foreign direct investment (FDI), and therefore continues to take active steps to attract more foreign investors.

Macedonia does not have any regulatory or defensive measures in place which are directed against foreign investment. Similarly, there are no private or government efforts directed toward the restriction of foreign investment and participation in or control of domestic enterprises, consortia, or industrial organizations.

Contents

Section 1 - Background

Macedonia gained its independence peacefully from Yugoslavia in 1991. Greece's objection to the new state's use of what it considered a Hellenic name and symbols delayed international recognition, which occurred under the provisional designation of "the Former Yugoslav Republic of Macedonia." In 1995, Greece lifted a 20-month trade embargo and the two countries agreed to normalize relations, but the issue of the name remained unresolved and negotiations for a solution are ongoing. Since 2004, the United States and over 130 other nations have recognized Macedonia by its constitutional name, Republic of Macedonia. Some ethnic Albanians, angered by perceived political and economic inequities, launched an insurgency in 2001 that eventually won the support of the majority of Macedonia's ethnic Albanian population and led to the internationally brokered Ohrid Framework Agreement, which ended the fighting and established guidelines for the creation of new laws that enhanced the rights of minorities. Fully implementing the Framework Agreement, maintaining momentum on democratic reforms, and stimulating economic growth and development continue to be challenges for Macedonia, although progress has been made over the past several years.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Macedonia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The initial Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Macedonia was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Macedonia was deemed Compliant for 2 and Largely Compliant for 11 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

MONEYVAL report on the 4th round assessment visit in "the former Yugoslav Republic of Macedonia"

The mutual evaluation report on the 4th assessment visit in "the former Yugoslav Republic of Macedonia" is now available.

Links to:
Press release
Executive Summary
Report
Addendum

The report was adopted at MONEYVAL's 44th Plenary Meeting (Strasbourg, 31 March – 4 April 2014). The MONEYVAL 4th cycle of assessments is a follow-up round, in which important FATF Recommendations have been re-assessed, as well as all those for which the state concerned received "Non-Compliant" (NC) or "Partially Compliant" (PC) ratings in its 3rd round report. This report on "the former Yugoslav Republic of Macedonia" is not, therefore, a full assessment against the FATF 40 Recommendations and 9 Special Recommendations but is an update on major issues in the AML/CFT system in "the former Yugoslav Republic of Macedonia". According to MONEYVAL's procedures and the decision of the 44th Plenary, "the former Yugoslav Republic of Macedonia" was placed under expedited follow-up procedures, and was asked to report on the progress achieved to address the factors/shortcomings underlying any of the 40 + 9 Recommendations that were rated 'Partially Compliant', by April 2015.

US Department of State Money Laundering assessment (INCSR)

Macedonia was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Macedonia is a middle income country with a fairly developed financial system. It is not a regional financial center. While most financial transactions are done through the well regulated and supervised banking system, cash transactions of considerable amounts occasionally take place outside the banking system. Money laundering in Macedonia is most often linked to financial crimes such as tax evasion, smuggling, financial fraud, insurance fraud, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity is connected to narcotics trafficking. There is no evidence that narcotics trafficking organizations or terrorist groups control money laundering. Also, there is no evidence that human or weapons traffickers have been involved in money laundering activities using banking or non-banking financial institutions. Money transfers, structuring cash deposits, the purchase of real estate and goods, and the use of legal entities in offshore jurisdictions are frequent money laundering techniques.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Anonymous bank accounts and bearer shares are not permitted. There is no evidence that alternative remittance systems exist in Macedonia. However, exchange offices and non-bank money transfer agents need more prudent supervision.

There are 14 free trade zones (FTZs) in Macedonia, operating as industrial zones. The production facilities enjoying the FTZ benefits are exclusively owned by foreign investors. The Government of Macedonia established the zones to attract more foreign investment. Business operations in the zones are adequately regulated, and there is no evidence of money laundering or terrorism financing activities in the zones. The Government screens companies to determine their eligibility to operate in the FTZs, and companies are subject to standard disclosure rules and criminal laws.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing

electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, mandatory and voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate, real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 109: January – October, 2015
Number of CTRs received and time frame: 71,352: January – October, 2015
STR covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, mandatory and voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; the registrar for real estate, real estate agents, consultants, and investment advisors; company service providers; casinos and internet casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0: January - October, 2015
Convictions: 0: January - October, 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF- style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On November 2, 2015 Parliament passed amendments to the Law on Prevention of Money Laundering and Financing of Terrorism in an attempt to harmonize local legislation with international standards. The amendments were mainly aimed at harmonizing the law with the newly adopted Law on Misdemeanors. The amended articles provide for stricter penalties and fines for noncompliance, and improve the procedures in cases of noncompliance, in accordance with the Law on Misdemeanors. The amendments clearly define the procedure for submitting collected data, information, and documents to the Financial Intelligence Office (FIO), the financial intelligence unit, while properly notifying relevant authorities and handling the suspicious transactions. Other amendments involve minor technical corrections and improvements of existing regulations.

The FIO fully implemented a new methodology to allow it to conduct a national risk assessment (NRA) of the entire AML/CFT regime, with the assistance of international donors. The FIO is finalizing the NRA document and the action plan for its implementation, and expects to submit both documents to the government in early 2016. The development of a new AML/CFT National Strategy, based on full completion of the NRA, originally expected in 2015, is likely to be done in 2016.

The Council on Combating Money Laundering and Financing of Terrorism, consisting of representatives of investigative and prosecuting bodies and 14 reporting institutions, is not active or visible. It was, however, involved in the preparation and execution of the NRA.

In 2015, the FIO upgraded its IT system with new functionalities, which enable more efficient analysis of suspicious transaction reports (STRs). In the period January – October, 2015, the FIO submitted to law enforcement authorities 20 reports related to suspected money laundering cases, five reports of suspected terrorism financing cases, and 151 reports of other suspected crimes. The FIO continues to maintain low visibility and is often overshadowed by the Financial Police and the regular police (Ministry of Interior). Its responsibilities continue to overlap in many areas with both of these institutions and with the Public Revenue Office (PRO) and the Customs Administration. Nevertheless, cooperation mechanisms among all these agencies seem to be in place.

Savings houses continue to implement AML/CFT programs under the regulation and supervision of the Central Bank. Reporting entities supervised by the PRO are rarely monitored for money laundering and terrorism financing, as the PRO focuses on determining and collecting taxes and investigating tax evasion. The transparency of wire-transfers has further improved, but fully effective application of the legal provisions remains to be demonstrated. Exchange offices and non-bank money transfer agents, as well as all other reporting entities, need further improvements of their AML/CFT programs and practices. AML/CFT reporting by lawyers, accountants, brokers, real estate agents, consultants, casinos, notaries, and other covered entities is slowly improving, and increased awareness through training among those entities is necessary. Most recently, auto dealers were excluded from the list of covered reporting entities, joining nongovernmental organizations and foundations as exempted entities.

The government's plans to create an international financial zone (IFZ) within the country's territory to provide financial services to foreign investors, announced in 2014, stalled. Although the government stated that all AML/CFT international standards would be implemented in the IFZ, some domestic and international experts raised concerns that the zone could become a potential haven for criminal proceeds and money laundering.

Effective implementation of Macedonia's forfeiture law is hindered by an overly complicated confiscation regime that remains conviction-based. Macedonia has an agency for management of seized and forfeited assets, but the agency has limited capacity and is minimally active.

Although reports of suspicious cases of terrorism financing were sent to relevant enforcement authorities, there were no prosecutions or convictions. Human resources and knowledge in the area of terrorism financing need further improvements. Dozens of Macedonian citizens have traveled to Syria and Iraq as foreign terrorist fighters in recent years, although there are indications the foreign terrorist fighter law passed in September 2014 may be having some deterrent effect.

The judicial system is politicized and at times inefficient. Rule of law is poorly respected, corruption is widespread, and selective enforcement of justice is a serious issue.

Macedonia should undertake reforms to increase independence of the judiciary and improve the record in fighting corruption, organized crime, terrorism, trafficking in human beings, money laundering, and narcotics smuggling. Macedonia should improve its supervision of the non- banking financial sector and provide necessary resources and training to ensure full implementation of laws. The authorities should continue working with covered entities to increase awareness of reporting requirements. The government should provide appropriate resources and training regarding terrorist financing. Should the government resume its plan of creating the IFZ, it should be closely monitored for potential money laundering and value transfer opportunities.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Macedonia conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Macedonia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Macedonia is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012 (introduction):

Macedonia is neither a major producer nor a major regional transit point for illicit drugs. GOM officials reported a drop in volume of narcotics seizures while criminal narcotic cases remained at about the same level as 2010. Macedonia is a party to the 1988 UN Drug Convention. The 1901 Extradition Treaty between the United States and Serbia applies to Macedonia as a successor state of the former Yugoslavia. Macedonia is a party to the UN Convention against Corruption and to the UN Convention against Transnational Organized Crime and its three protocols.

Macedonia's National Anti-drug Strategy (2006-2012) sets out two general aims: (1) to prevent new and reduce current drug use, dependence, and drug related harms to health and society and (2) to take action against drug production and cross-border drug trafficking while preventing drug-related crimes. The two main aims are complemented by three cross-cutting themes: coordination, international cooperation, and monitoring and evaluation. The government has been implementing the plan steadily, and its goals are now 90 percent accomplished with one year remaining.

Macedonia lies on the Balkan route, used to deliver Afghan heroin to Western Europe. Hashish and marijuana produced in Albania also travel through Macedonia, but in the opposite direction to Turkey and Greece. Synthetic drugs on the Macedonian market are smuggled in from neighboring Bulgaria and Serbia and also from the Netherlands. These trafficking routes, however, seem to be less utilized than in the past, given a significant drop in heroin seizures. The drop in heroin seizures is a regional trend, and may be a result of a reduction in opium production in Afghanistan in 2010, which caused a significant shortage of heroin throughout Europe. Other factors included more air delivery of drugs, more frequent use of different smuggling routes, drug smuggling by way of Africa, and the shifting trend to cigarette smuggling. The market price of heroin has increased to 17,000 to 20,000 Euros per kilo, depending on the quality. In the first nine months of 2011, criminal narcotics-related charges were brought against 495 people. This represents a decrease of about 154 people charged compared with 2010 and a total of around 408 criminal narcotics cases. Of these, 412 people were charged with illegal production of narcotics and psychotropic substances. There were 73 cases for trafficking in narcotics committed by 83 people. These cases resulted in the seizure of 140 kilograms of marijuana, 22 kilograms of heroin, 1.5 kilograms of cocaine, 1.5 liters of liquid cocaine, 1,040 cannabis plants, 637 tablets of amphetamine, and 126 grams of methamphetamine. The number of cases reported is less than the number of defendants, since in some cases multiple defendants are associated with a single narcotics case.

Enforcement cooperation with Macedonia's new neighbor, Kosovo, continued to improve. A case coordinated by the U.S. Drug Enforcement Administration (DEA) in which Macedonia cooperated with Serbia, and Greece led to the seizure of 170 kilograms of cocaine in Greece. Macedonian work with drug enforcement agencies in Bulgaria resulted in the arrest of "Gecov", the biggest drug lord in the region.

Ministry of Health officials estimate that there are approximately 10,000 problematic drug users in Macedonia. The most frequently used drug is marijuana, followed by heroin. Treatment and rehabilitation activities are carried out in 12 state-run outpatient medical clinics. These clinics supervise methadone maintenance therapy for registered heroin addicts. In addition, the Clinic for Toxicology at the University Clinical Centre in Skopje treats patients with buprenorphine. All Macedonian prisons offer methadone treatment for drug addicts. Macedonia's two largest prisons, with over 60 percent of the country's total prison population, have residential programs in special prison wards. The funding for these clinics and their treatment medications comes from the national budget.

Of the 1500 prisoners in the country's main prison, an estimated one quarter were identified as drug addicts, mainly addicted to heroin. Macedonian health officials acknowledged that rehabilitation centres are overcrowded. In-patient treatment in specialized facilities consists of detoxification accompanied by medicinal/vitamin therapy, as well as limited family therapy, counseling, and social work. Follow-up services after detoxification and social reintegration programs for treated drug abusers are inadequate. There are only three centres for social reintegration and rehabilitation in Macedonia.

The Macedonian Ministry of Education, with NGO and international support, successfully implemented three pilot prevention programs in three different cities in Macedonia, each of which included significant teacher training and other "train the trainer" programs. Educational prevention materials, such as fliers and posters, were also distributed in the pilot schools.

Corruption is common throughout the government in Macedonia. As a matter of policy and practice, however, the Government of the Republic of Macedonia does not encourage or facilitate the illicit production or distribution of drugs, or the laundering of proceeds from illegal drug transactions. Going forward, the United States Government, through State Department-funded law enforcement training programs implemented by DOJ and DEA, will continue to work to strengthen the ability of Macedonian police, prosecutors, and judges to more efficiently enforce Macedonia's laws against narcotics traffickers.

US State Dept Trafficking in Persons Report 2016 (introduction):

Macedonia Is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Macedonia is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Women and girls in Macedonia are subjected to sex trafficking and forced labor within the country in restaurants, bars, and nightclubs. Children, primarily Roma, are subjected to forced begging and sex trafficking through forced marriages. Foreign victims subjected to sex trafficking in Macedonia typically originate from Eastern Europe, particularly Albania, Bosnia and Herzegovina, Kosovo, Romania, Serbia, and Ukraine. Citizens of Macedonia and foreign victims transiting Macedonia are subjected to sex trafficking and forced labor in construction and agricultural sectors in Southern, Central, and Western Europe. Migrants and refugees traveling through Macedonia are vulnerable to trafficking, particularly women and unaccompanied minors. Traffickers frequently bribe police and labor inspectors. Police have been investigated and convicted for complicity in human trafficking.

The Government of Macedonia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. While the influx of refugees and migrants to the country placed a significant strain on government resources, government efforts to protect victims and prevent trafficking declined markedly. Overall government funding dedicated to anti-trafficking efforts decreased in 2015 to 4.1 million denars ($75,600) from 32.45 million denars ($601,108) in 2014. The government convicted more traffickers compared to 2014, but identified just four victims—the fewest ever reported—despite an increase in vulnerable populations due to increased migration. The government continued to screen children engaged in street selling and begging for trafficking, yet discontinued its partnership with NGOs to operate mobile outreach teams to identify all types of victims of trafficking proactively. Victims had difficulty accessing compensation, and the government did not offer specialized services for male victims. In contrast to previous years, the government did not fund or coordinate any public awareness campaigns.

US State Dept Report on Tarrorism 2016

Overview: Macedonia conducted three significant counterterrorism operations in 2016, one of which was in coordination with authorities in Albania and Kosovo, leading to the arrest of 23 people in Albania, Kosovo, and Macedonia. Macedonia cooperated with U.S. counterterrorism efforts, demonstrating its strong commitment to the Global Coalition to Defeat ISIS.

The government approved a National Counterterrorism Strategy in March. The strategy has a section dedicated to the prevention of violent extremism (PVE), but there is no separate National Strategy to Counter/Prevent Violent Extremism. The government drafted a National Counterterrorism Action Plan and submitted it to the European Commission in November for review. The Action Plan lacks implementation designations, funding estimates, and monitoring and evaluation controls.

Macedonian authorities assess that ISIS members and sympathizers maintained a presence in Macedonia.

Legislation, Law Enforcement, and Border Security: Macedonia's laws contain comprehensive counterterrorism provisions that prohibit domestic and international acts of terrorism. The country's counterterrorism law includes a provision criminalizing civilian participation in foreign conflicts. Specifically, Article 322-a of the Criminal Code requires a five-year minimum prison sentence for participation in a foreign military or paramilitary force, or recruiting, training, or transporting fighters.

Macedonia's capacity to detect and deter acts of terrorism without international support needs to be strengthened. Specifically, police need training in command and control, tactical planning and execution, casualty care, and messaging. Notwithstanding, Macedonia successfully executed arrest and search warrants against foreign terrorist fighters and would-be foreign terrorist fighters; it also coordinated with regional partners to disrupt terrorist attack plans and to arrest Macedonian citizens attempting to join ISIS. Prosecutors secured prison sentences against foreign terrorist fighters primarily through plea agreements. Macedonian prosecutors have yet to bring a case to trial against a foreign terrorist fighter or supporter.

Within the Ministry of Interior (MOI), the Administration for Security and Counter-Intelligence takes the lead on counterterrorism detection and intelligence gathering, and works with the Bureau of Public Security's Department of Organized and Serious Crime to detain suspects. The Prosecutor's Office at the Ministry of Justice manages questioning and prosecuting of the arrested terrorist suspect.

A *Joint Combined Exchange Training* with U.S. Special Forces took place in March to improve Macedonia's ability to protect soft targets. Macedonian authorities at the MOI reported that they developed operational plans to prevent and respond to terrorist attacks on soft targets including stadiums, hotels, etc. Additionally, an international counterterrorism exercise in September brought together multiple agencies from the United States and Macedonia to review Macedonia's preparedness and response capacities.

Macedonia Border Police use INTERPOL and Europol watch lists that are regularly updated and they have biometric screening capability. The Border Police also share and receive information through alerts via the Joint Contact Centers with neighboring countries (Albania, Bulgaria, and Kosovo) and INTERPOL. In response to the influx of migrants, the European Union (EU) and Balkan countries regularly send border police detachments to assist in securing Macedonia's southern border.

Border authorities worked with European and U.S. partners to develop information-sharing protocols and upgrade the Personal Identification Secure Comparison and Evaluation System (PISCES) border management system, improving its capacity to respond to the migration crisis and stem the flow of foreign terrorist fighters returning from conflict zones.

A months-long political crisis in Macedonia inhibited decisive action by the government to address deficiencies in law enforcement and border security, including shortages in personnel and equipment. The Bureau of Public Security worked with U.S. authorities to address corruption among border officials, resource constraints, training gaps for border police officers, and issues related to the border management system, Personal Identification Secure Comparison and Evaluation System (PISCES).

Countering the Financing of Terrorism: Macedonia is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force (FATF)-style regional body. Macedonia's financial intelligence unit (FIU), the Money Laundering Prevention Directorate (MLPD), is a member of the Egmont Group of Financial Intelligence Units. In 2016, the MLPD received three suspicious transaction reports for terrorist financing, but no criminal charges were filed.

Major deficiencies in Macedonia's anti-money laundering/countering the financing of terrorism legal framework remain, including insufficient criminalization of terrorist financing and no clear mechanisms to implement UN measures. In addition, an overly complicated confiscation regime that remains conviction-based hindered effective freezing and confiscation of terrorist assets. Macedonia has an agency for the management of seized and forfeited assets, but the agency has limited capacity and activity, and needs additional training.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	35
World Governance Indicator – Control of Corruption	47

Corruption and inefficient bureaucracy are challenges companies may face when doing business in Macedonia. Many cumbersome regulatory procedures have been eliminated over the past decade, but bureaucratic red tape remains a problem throughout the public administration. Private businesses frequently complain about burdensome administrative processes that create operational delays and opportunities for corruption. Public procurement, the customs administration, and the building and construction sectors are areas where corruption and bribery are most prevalent. The primary legal framework regulating corruption and bribery in Macedonia is contained in the Law on Prevention of Corruption and the Criminal Code, which make individuals and companies criminally liable for corrupt practices. Facilitation payments are prohibited, and gifts may be considered illegal depending on their value or intent. Progress has been made in law enforcement and corruption-prevention initiatives, yet public officials continue to act with impunity. Insufficient implementation of legislation and ineffective law enforcement continue to impede the fight against corruption. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

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

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

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

Section 3 - Economy

Since its independence in 1991, Macedonia has made progress in liberalizing its economy and improving its business environment, but has lagged the Balkan region in attracting foreign investment. Corruption and weak rule of law remain significant problems. Some businesses complain of opaque regulations and unequal enforcement of the law.

Macedonia's economy is closely linked to Europe as a customer for exports and source of investment, and has suffered as a result of prolonged weakness in the euro zone. Unemployment has remained consistently high at about 30% since 2008, but may be overstated based on the existence of an extensive grey market, estimated to be between 20% and 45% of GDP, which is not captured by official statistics.

Macedonia maintained macroeconomic stability through the global financial crisis by conducting prudent monetary policy, which keeps the domestic currency pegged against the euro, and by limiting fiscal deficits. The government has been loosening fiscal policy, however, and the budget deficit was 4.2% of GDP in both 2013 and 2014, gradually falling to 3.7% in 2015. By yearend 2015, public debt was 40.3%, which although low by regional comparison, is significant for a small economy.

Agriculture - products:

grapes, tobacco, vegetables, fruits; milk, eggs

Industries:

food processing, beverages, textiles, chemicals, iron, steel, cement, energy, pharmaceuticals, automotive parts

Exports - commodities:

foodstuffs, beverages, tobacco; textiles, miscellaneous manufactures, iron, steel; automotive parts

Exports - partners:

Germany 33.2%, Kosovo 11.5%, Bulgaria 5.1%, Greece 4.5% (2015)

Imports - commodities:

machinery and equipment, automobiles, chemicals, fuels, food products

Imports - partners:

Germany 15.9%, UK 13.6%, Greece 10.9%, Serbia 8.7%, Bulgaria 6.7%, Turkey 5.5%, Italy 4.7% (2015)

Banking

Commercial Bank activities are mainly regulated by the Banking law and the Law on the National Bank of the Republic of Macedonia. The amount of the bank capital determines what financial activities the bank can perform

Section 4 - Investment Climate

Executive Summary

Macedonia’s government welcomes and seeks out foreign investors. Multiple ministers and agencies lead investment roadshows and promote Macedonia as an investment destination. New investments include auto parts companies attracted by Macedonia’s relatively inexpensive labor and proximity to European car manufacturers. In February 2016, the stock exchanges of Slovenia and Serbia joined a regional platform, increasing the number of listed companies to 387. This SEE Link platform is expected to become operational in spring of 2016.

Macedonia’s legal framework for foreign investors is generally in line with international standards. However, companies complain of selective law enforcement, punitive inspections, and draconian fines. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied. The judicial system is slow; many investors believe it to be politicized. Corruption is widespread and largely goes unpunished.

Large foreign investors operating in the Technological Industrial Development Zones (TIDZ) generally report good access to government officials. However, bureaucracy and lack of communication and capacity within the government frustrate smaller investors.

Foreign investors also report that it can be challenging to secure visas and work permits for foreign managers, employees, and their family members.

Macedonia generally has been free from political violence for the past decade. However, inter-ethnic and inter-religious tensions remain and are often aggravated by political rhetoric.

Foreign investment has continued despite a protracted political dispute between the ruling party and opposition since February 2015, which involved anti-western statements in government-aligned media.

The 2016 World Bank’s Doing Business Report ranked Macedonia the 12th best place in the world for doing business – particularly due to the ease of starting a new business – ahead of Australia, Canada and Germany. Fitch reaffirmed Macedonia’s BB+ credit rating, and S&P reaffirmed its credit rating of the country at BB- with stable outlook. Transparency International has ranked Macedonia 66th out of 175 countries in its perceptions of corruption index.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	66 of 175	transparency.org/cpi2015/#results-table
World Bank’s Doing Business Report “Ease of Doing Business”	2016	12 of 189	doingbusiness.org/rankings

Global Innovation Index	2015	56 of 141	globalinnovationindex.org/content.aspx?page=data-analysis
U.S. FDI in partner country ($M USD)	2015	6.1	nbrm.mk/?ItemID=44C9251D2237394A9EF8E2155AE6F121
World Bank GNI per capita	2014	USD 5,150	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

As a small, open economy, Macedonia's government recognizes that it is heavily dependent on foreign direct investment (FDI) for job and export growth, and therefore continues to actively seek foreign investors who can provide jobs. The country has enacted legislation that not only provides roughly equal footing for foreign investors as compared to their domestic counterparts, but that also provides numerous incentives, such as tax breaks and subsidies, to attract FDI. Government incentive packages for foreign investors are not fully disclosed to Parliament or the public. Macedonia consistently provides national treatment to foreign investors, in fact many citizens believe large foreign investors receive better treatment than domestic companies. The country has concluded a number of bilateral investment protection treaties, but none with the United States. Macedonia has adopted other multilateral conventions that impose stricter standards of protection for foreign investors.

Macedonia does not have any regulatory or defensive measures directed against foreign investment. Similarly, there are no private or government efforts directed toward the restriction of foreign investment and participation in or control of domestic enterprises, consortia, or industrial organizations. On the contrary, since 2007 Macedonia has run an expansive campaign to attract foreign investors. This campaign includes the promotion of Macedonia in many of the world's leading newspapers, magazines, TV stations, and frequent government-led roadshows. In addition, after the 2014 early parliamentary elections, the number of ministers tasked with attracting foreign investments increased from three to five. The government agency Invest Macedonia also markets the country to foreign investors, serving as the "one-stop shop" main point of contact for operational matters and follow-up with investors. Invest Macedonia has about 25 resident economic promoters in foreign countries. Macedonia is in the process of harmonizing its legal and regulatory systems with international, primarily European Union (EU), standards.

The global economic crisis and the euro zone debt crisis caused a significant slowdown in FDI, which fell from USD 463 million in 2011 to USD 132 million in 2012, mainly due to the outflow of profits of foreign-owned companies and intercompany loans. However, in 2013 FDI surged to USD 334.7 million as the global economy recovered and continued to USD 349.1 million in 2014. The increase in FDI was primarily due to some new foreign investments in the TIDZ and additional investments by existing foreign investors. In recent years FDI has primarily flowed to the automotive parts industry. Activities in the TIDZ accounted for most of the increase of the country's foreign trade, both on the export and the import side. Although the global economic crisis undoubtedly played a role in limiting funds available for investment, corruption, rule of law concerns, and stalled Euro-Atlantic integration have also limited Macedonia's ability to attract more investment. FDI accounted for only 1.8 percent of GDP in 2015, 1.3 percentage points less than in 2014.

Other Investment Policy Reviews

The World Trade Organization (WTO) in November 2013 did the first, and so far the only, review of the trade policies and practices of Macedonia. The reports of the WTO Secretariat and Macedonia's government are available at the following website: https://www.wto.org/english/tratop_e/tpr_e/tp390_e.htm. Macedonia has not undergone an OECD investment policy review. The most recent UNCTAD investment policy review on Macedonia, from March 2012, is available at the following website: http://unctad.org/en/PublicationsLibrary/diaepcb2011d3_en.pdf. In 2015, the government hired a consultant to assess its strategy for attracting FDI in response to increased public criticism of government concessions to foreign investors and doubts about the net benefits to the economy.

Laws/Regulations on Foreign Direct Investment

The Constitution of the Republic of Macedonia guarantees equal position for all entities in the market and provides for free transfer and repatriation of investment capital and profits for foreign investors. Under Macedonian law, foreign and domestic investors have equal opportunity to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments. Rather, the legal framework is comprised of several laws including: the Trade Companies Law; the Securities Law; the Profit Tax Law; the Customs Law; the 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. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied.

The Trade Companies Law

This is the primary law regulating business activity in Macedonia (http://www.mse.mk/Repository/UserFiles/File/Misev/Regulativa/Zakoni%20ENG/LL_CG_Trade Companies_Dec_2004_E.pdf). It defines the types of companies allowed to operate in Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are granted national treatment, and are entitled to establish and operate all types of private and joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

Law on Privatization of State-owned Capital

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

Foreign Loan Relations Law

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

Law on Investment Funds

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

Law on Takeover of Shareholding Companies

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

Law on Foreign Exchange Operations

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

Profit Tax Law

The corporate profit tax rate is 10 percent. At the beginning of 2006, the 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 employments are regulated by this law and collective agreements signed between unions and employers. 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 pertaining to employment. A General Collective Agreement clarifies and often enhances the basic rights and benefits provided for in the Labor Law. In addition, there are collective agreements applicable in some industries or sectors, which further specify relations between employers and employees in those industries.

Law on Financial Discipline

Effective from May 1, 2014, this law aims at regulating timely payment of liabilities between private sector legal entities, and liabilities stemming from business relations between private sector and public sector legal entities (http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf). According to the legislation, private entities must settle payment liabilities within 60 days, and by exception only within 120 days of the day when the liability occurred. Failure to comply with the provisions of the law envisages high fines both for legal entities and for the responsible person. Application of the law for public health institutions, public companies, state-owned companies, companies owned by local governments, and other public sector institutions started from January 1, 2016. Late payments by state entities to the private sector have contributed significantly to liquidity problems in the country.

Business registration

All legal entities in the country must register with the Central Registry of Macedonia (CRM). Foreign businesses may register a limited liability company, single-member limited liability company, joint venture, joint stock company, as well as branches and representative offices. Macedonia introduced a one-stop-shop system that enables investors to register their businesses within a day, by visiting one office, obtaining the information from a single place, and addressing one employee. In addition, all investors may register a company online using the secure system for electronic registration of all types of businesses in the Trade Registry and the Registry of Other Legal Entities, available at the following website: http://e-submit.crm.com.mk/eFiling/en/home.aspx. Applications must be submitted by an authorized registration agent.

In addition to the registration of all business activities as stipulated by the Trade Companies Law, some business activities must obtain additional working licenses or permits before starting their operations. For those, the registration process is followed by a licensing process with the relevant authorities covering the matter of licenses and/or permits. More information on business registration documentation and procedures is available at the CRM's website: http://www.crm.com.mk.

Since 2004, Macedonia has accepted the EU Commission's definition of micro, small and medium-sized enterprises (SMEs), which is based on three criteria: number of employees, turnover volume, and total assets. Macedonia has kept the same classification by number of employees but adjusted the other two parameters. By number of employees, companies with fewer than 10 are considered micro, companies between 11 and 50 are considered small, and companies between 51 and 250 employees are considered medium-sized. The government does not directly provide any special services or preferences to facilitate investment and business operations by micro and SMEs. However, it provides subsidies to foreign credit lines through the state-owned Macedonian Bank for Development Promotion to assist in the development of micro and SMEs.

Industrial Strategy

Invest Macedonia is the primary government institution in charge of facilitating foreign investments in the country, and its services are available to all interested investors. In addition, Invest Macedonia promotes Macedonian companies in foreign markets to help them increase their exports. More information on their services is available at http://www.investinmacedonia.com.

Invest Macedonia’s 25 economic promoters residing in key markets in the world. Public information about investment opportunities in the country are disseminated via paid commercials in leading business newspapers, magazines, and TV channels. Government ministers in charge of attracting investors also disseminate information during road-shows to targeted markets. Invest Macedonia lists at its website (http://www.investinmacedonia.com) key sectors for investment opportunities: automotive components, information and communication technology, agribusiness, food processing, textiles, apparel, electronics, and pharmaceuticals.

Limits on Foreign Control and Right to Private Ownership and Establishment

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

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

Privatization Program

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

Macedonia's privatization process is almost complete and private capital is dominant in the market. The government is trying to sell four remaining loss-making companies through international tenders. Foreign investors are allowed to participate in privatization through a public bidding process. There are about 15 state-owned companies, primarily public utilities. There are also public utility companies at the local level, which are governed by local governments. Neither the central government nor any local government has announced plans to sell shares in any of them.

Screening of FDI

The government institution in charge of attracting new foreign investments in country - Invest Macedonia – conducts a screening and due diligence review of foreign direct investments in a non-public procedure. Final approval of investment incentive packages is usually made by the government. So far U.S. businesses have not commented or complained that the screening mechanism was a barrier to investment. The main purpose of the screening mechanism is to ensure economic benefit for the country and national security. This screening process does not appear to disadvantage foreign investors. Details of the review are not shared publicly. More details regarding the review process including information on necessary documents for the screening process are available directly from Invest Macedonia or at website http://www.investinmacedonia.com.

Competition Law

The Law on Protection of Competition, adopted in January 2005 (Official Gazette of the Republic of Macedonia No. 04/05) is enforced by a Commission for Protection of Competition (http://www.kzk.gov.mk/eng/aboutus_C.asp). The basic competencies of the Commission for Protection of Competition include controlling proper implementation of the provisions stipulated in the Law on Protection of Competition, monitoring and analyzing the market conditions to the extent necessary for the development of free and efficient competition, initiating procedures in cases of law violations, and making decisions according to the provisions of the Law. The Commission is established as an independent body with the status of a legal entity, independent in its operations and decision making process within the authorities provided by the Law. The Commission consists of a President and four members appointed by the Parliament for a five-year mandate, with the right to reappointment. The Commission has not been very active, as there have not been major accusations of competition violations in the domestic market. Most recently, the Commission was involved in assessing the market concentration in the case of the intended merger between two big mobile operators in the domestic market, the Austrian-owned VIP with the Slovenian-owned One.

2. Conversion and Transfer Policies

Foreign Exchange

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

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

Remittance Policies

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

There are no legal limitations on private financial transfers from and to Macedonia. In fact, remittances are widely used by Macedonia's diaspora, and they represent a significant source of income for households. To a much lesser extent, some remittances flow out of Macedonia. In 2015 net private transfers amounted to USD 1.7 billion, accounting for 16.8 percent of GDP.

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent evaluation can be found at http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp.

3. Expropriation and Compensation

The Republic of Macedonia has not adopted any new legislation on expropriation. There is no tendency by the government authorities to discriminate against U.S. investors. According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 95/12, 131/12, 24/13, and 27/14), foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Public interest, as defined by this law, includes the spatial arrangement, rational usage, and humanization of public areas, protection of the environment and nature by building objects and doing works of significance to the state and local governments, stipulated by the spatial planning acts. The law also lists in detail specific activities considered to be 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 be paid.

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

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The government is working to harmonize domestic regulations with European Union norms through reform of the legal system. However, the administration of justice is not always uniform, and the courts are often slow and inefficient and lack adequate resources. They are also subject to political pressure and corruption.

Following the disclosure of wiretaps in 2015 that appeared to implicate high-level officials in wrongdoing, the four largest political parties agreed to establish a Special Prosecutor's Office to investigate possible violations in connection with those recordings.

In July 2015, Macedonia's Parliament, without allowing public comment, introduced obligatory mediation in disputes between companies up to €15,000 in value as a precondition for going to court. Companies complain the measure, which went into effect February 1, 2016, imposes additional costs.

Bankruptcy

Macedonia's 2006 Bankruptcy Law governs the settlement of creditors' claims against insolvent debtors. Amendments in 2011 further streamlined the process. Bankruptcy proceedings may be initiated over the property of a debtor, be it a legal entity, an individual, a deceased person, joint property of spouses or business unions. Bankruptcy proceedings may not be implemented over a public legal entity or property owned by the Republic of Macedonia.

In the World Bank's Doing Business Report for 2015 Macedonia ranks 37th out of 189 countries on the Resolving Solvency indicator.

Investment Disputes

With the 1995 enactment of the Law on Courts, the judicial body evolved into a three-tiered court system: the Basic Courts (or Courts of the First Instance), the Appellate Courts, and the Supreme Courts. As of 2007, an Administrative Court was established to try administrative law cases, and in 2011 a Higher Administrative Court was also established to try appeals against administrative court rulings. These courts handle legal processes in providing resolution to business disputes and help improve the business environment.

International Arbitration

International arbitration is recognized and accepted under the Law on International Commercial Arbitration. The government accepts international arbitration on investment disputes and has registered over 40 internationally accredited arbiters. A Permanent Court of Arbitration was established in 1993 within the Economic Chamber of Macedonia (a non-government business association). It has the authority to administer both domestic and international disputes. However, it has never been utilized.

ICSID Convention and New York Convention

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 Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention); the Geneva Protocol on Arbitration Clauses from 1923; and the Geneva Convention on Enforcement of Foreign Arbitration Decisions. Macedonia is also a member state to the

International Centre for Settlement of Investment Disputes (ICSID Convention), and the European Convention on International Commercial Arbitration.

Duration of Dispute Resolution – Local Courts

Administrative Court proceedings often fail to respect judicial precedent, requiring businesses to appeal, thus delaying justice considerably. A Constitutional Court adjudicates constitutional issues. In an effort to provide better resolution of business disputes and to improve the business environment, the Law on Mediation was adopted in 2006, and amended several times since in an effort to foster out-of-court case resolution. This legislation provides for the training, testing, and certification of experts in different fields to act as mediators administered by the Ministry of Justice. An attempt to introduce mediation in pilot courts through U.S.-funded technical assistance produced only modest results, largely due to the lack of public awareness and the reluctance of legal practitioners to utilize this option.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

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

Macedonia has been a member of the WTO since April 4, 2003, and it adheres to the Trade-Related Investment Measures (TRIMs) Agreement.

Investment Incentives

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

Both the Law on Customs and the Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for profit tax exemptions for profits generated during the first three years of operation in proportion to the amount of foreign investment; all profits reinvested in the company; profits invested in environmental protection; and profits invested in "underdeveloped" regions of the country. Companies with at least 20 percent foreign capital are exempt from customs duties for the first three years after their registration. In public campaigns, the government highlights the following additional benefits: a 10 percent flat tax for corporate profits and personal income; guaranteed relief from local taxes and fees; a tax exemption for duties on imported goods, raw materials, and equipment/machines. Symbolic land lease rate and direct state aid in the amount of up to EURO 500,000 (approx. USD 556,000) are additional incentives provided to foreign investors.

Research and Development

The government in Macedonia does not restrict or ban foreign companies from participating in government financed research and development programs. Research and development public expenditures in Macedonia are aimed toward supporting creative work undertaken to increase knowledge in humanity, culture and society, and stimulate use of knowledge for developing new applications.

Performance Requirements

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

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

Data Storage

The government does not impose a forced localization policy for data; foreign investors are not required to use domestic content in goods or technology. Post is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to surveillance (e.g., backdoors into hardware and software or turn over keys for encryption).

6. Protection of Property Rights

Real Property

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

The World Bank's Doing Business Report, ranks Macedonia 50 out of 189 for ease of registering property.

Intellectual Property Rights

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

Intellectual Property Rights are protected under the Law on Industrial Property from 2009 (amended in 2013), the Law for Authors' and Common Rights (adopted in 2010), and the Law on Customs Measures for the Protection of IPR (enacted in 2006 and amended in 2011). The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models, and samples. The protection of authors' rights and other related rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods; however, it lacks resources, and roughly 70 percent of its inspections are to enforce non-smoking legislation and closing times. The Ministry of Interior is responsible for IPR-related crimes committed on the Internet. Although the attention and resources relevant authorities apply to IPR enforcement is rather limited, companies which proactively seek protection of their brands in Macedonia are generally satisfied with institutional responsiveness.

Under the Law on Customs Measures for the Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods. It has the right to seize suspect goods to prevent their distribution pending confirmation from the rights holder of the authenticity of the goods. The rights holders are responsible for covering costs for storage and destruction of the seized counterfeited goods, except for a yearly activity of the Coordinative Body for Intellectual Property for World IPR Day. There are no cumulative statistics on seizures of counterfeit goods.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 – 60 days closure of businesses, monetary fines of up to EUR 5,000, or a prison sentence of up to five years. IPR cases are not handled by specialized courts, and little is known about the number and outcomes of court cases that have IPR aspects.

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

Macedonia is not listed in the Special 301 report.

There have been allegations of the use of unlicensed or under-licensed software in government agencies in Macedonia. Substantial efforts to ensure government agencies only purchase and use licensed software have not led to any meaningful progress on the matter. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

- Mrs. Veronica Scarborough
- Deputy Political and Economic Chief
- U.S. Embassy - Skopje

- 1000 Skopje, Macedonia
- Office: +389 2 310 2362
- Fax: +389 2 310 2499
- Mob: +389 72 321 138
- E-mail: scarboroughvj@state.gov
- American Chamber of Commerce in Macedonia
- Mrs. Michelle Osmanli, Executive Director
- Ivo Lola Ribar 59A-1/15
- 1000 Skopje, Macedonia
- Tel: +389 2 321 6714
- http://amcham.com.mk/
- Embassy of the United States
- List of Attorneys:
- http://macedonia.usembassy.gov/attorney.html

7. Transparency of the Regulatory System

There are no laws, policies, or legal regulations that formally impede foreign investment in Macedonia. Unfortunately, excessive bureaucratic 'red tape' still poses difficulties in all spheres of government administration and provides opportunities for corruption and delays. Reports of inefficient, politicized, and corrupt practices are common, and the government does not have a track record of investigating and punishing corrupt government officials. Members of the business community frequently complain of opaque processes and unclear division of responsibilities within and between bureaucracies. In its determination to become an EU member, Macedonia has harmonized most of its legislation with the EU. Implementation remains weak, however, and there are examples of laws contradicting one another.

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

In 2006, the government introduced ENER (unique national electronic register of regulations) to facilitate public comment on proposed legislation. However, most draft laws are not posted in ENER for public comment, but instead are passed in Parliament in an expedited procedure without a comment period. Even when it is respected, the minimum period of 10 calendar days for public comment is simply too short to allow for thoughtful and constructive responses from company representatives. Businesses also report that the feedback they submitted to ENER was not posted online and that ministries did not respond to their comments.

In addition to a rapidly changing legislative and regulatory environment where companies are rarely involved in the policy-making process, companies working in Macedonia face a great degree of regulatory confusion caused by: the lack of Regulatory Impact Assessments (RIA) that consider impacts on the private sector as well as sufficient time for companies to adjust to new legislation; the lack of official, consolidated texts of all laws in force; passage of laws that conflict with measures in existing legislation; and the lack of official information published by enforcement institutions on how laws are to be applied in specific cases.

In 2014 the government created the Inspections Council, an independent body responsible directly to the government, which encompasses 14 different inspectorates. The Inspections Council's goal is to harmonize procedures for inspection surveillance between inspectorates which originally functioned under various ministries. However, two years after it was founded, it has yet to achieve its goal of relaxing the burden of multiple inspections within a short period of time at the same company. There are still allegations that the government uses inspections punitively against political opponents and critics.

In the World Bank's, 2015 Doing Business report, Macedonia ranked 12 out of 189, easiest countries in which to do business, ahead of Australia, Canada, and Germany. Although the same report has complimented Macedonia's efforts to reform business legislation, new reforms often are not fully implemented due to a lack of administrative capacity and political will. Additionally, the reforms are often not comprehensive, and their effect has been negligible for the business and investment environment as a whole.

8. Efficient Capital Markets and Portfolio Investment

Macedonia's securities markets are modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. After reaching its peak in August 2007, the MSE index steadily dropped until 2013, reflecting the effects of the global economic crisis. After a slight pickup in 2014, market capitalization in 2015 dropped by 2.4 percent to USD 1.8 billion. The main index, MBI10, dropped by 0.6 percent over the year, closing at 1,833 points at the end of 2015. Foreign portfolio investors accounted for an averaged 18.8 percent of total MSE turnover, 6.9 percentage points less than in 2014.

Macedonia's Securities and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. MSE has two market segments: the Official Market and the Regular Market. Companies listed on the Official Market must publicly disclose any price sensitive information related to their operation on a regular basis. The Regular Market has two sub-segments: a market for publicly held companies that includes companies that have special reporting requirements for the SEC and a "free market" that includes all other companies that provide a minimal disclosure of records. In 2015, the total number of listed companies remained unchanged from the previous year at 115, while total turnover dropped by a significant 69.4 percent. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there are greater transparency requirements.

Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007. Government paper is present on the stock exchange in the form of denationalization bonds and a few special purpose bonds. In January 2004, the government started issuing treasury bills. In 2009, it started issuing T-bills with a foreign exchange clause. These are very attractive to domestic banks. A fully convertible current account places no restrictions on portfolio investments, but short-term capital inflows are still relatively low even by regional standards. Full liberalization of the capital account has yet to be implemented.

Last year, the MSE together with the stock exchanges of Croatia and Bulgaria established a regional platform, called SEE Link, for trading securities of companies listed at all three stock exchanges. In February 2016, the stock exchanges of Slovenia and Serbia joined that platform, increasing the number of listed companies to 387. The SEE Link platform is expected to become operational in spring of 2016.

Money and Banking System, Hostile Takeovers

There are no legal barriers to the free flow of financial resources and portfolio investments. Financial resources are almost entirely managed through Macedonia's banking system, consisting of 15 banks. The three largest banks control over 60 percent of the banking sector total assets, while there are ten banks with individual shares in total assets of less than five percent. In 2015, foreign capital was present in 14 of Macedonia's 15 banks, and was dominant in 11 banks. According to the National Bank of the Republic of Macedonia (NBRM), foreign investors' share in total banking assets at the end of the third quarter of 2015 (latest available data) was 68.8 percent, which is 1.9 percentage points higher than in 2014. Most banks experienced a moderate increase in non-performing loans (NPL), resulting in a slight increase of the overall NPL ratio to 11.7 percent at the end of the third quarter of 2015, which is a 0.4 percentage points higher than in 2014. Profits at the end of the third quarter of 2015 (latest available data) reached USD 66.3 million, which was 54.2 percent higher than a year ago. Also, the two most important profitability indicators, ROA (Return on Assets) and ROE (Return on Equity) reached 1.29 percent and 11.1 percent, respectively, which is an increase of 0.3 and 3.5 percentage points, respectively. Supervisory monitoring by the NBRM has continuously strengthened, enhancing depositors' confidence. Banks' liquid assets at the end of the third quarter of 2015 were 31.7 percent of total assets, dropping by 1.6 percentage points compared to the same period of 2014.

The stress tests conducted by the NBRM in 2015 showed that the banking sector is resilient to significant deposit withdrawals, liquidity shocks, increased credit risk, sharp deterioration in the quality of loans, or other hypothetical shocks. The capital adequacy ratio of the entire banking sector remained strong at 16.1 percent, well above the recommended 12 percent minimum. The intermediation rate (measured as total assets/GDP) in 2015 was 72.6 percent and is considered very low even by regional standards. Credit is available on the local market and is allocated at market terms. The growth of credit to the private sector in 2015 was 9.5 percent, mainly due to higher credit growth to households (12.9 percent) than to enterprises (7.1 percent). The NBRM encouraged credit growth by adopting several measures, but kept the reference rate (the interest rate on Central Bank bills) at 3.25 percent throughout 2015. Despite this, banks were still rather cautious in extending larger loans. The weighted average lending rate of the banking system in 2015 was 6.8 percent, while the deposit rate was 2.2 percent. Domestic companies secure financing primarily from their own cash flow and from bank loans, due to the lack of corporate bonds and other securities as credit instruments. Because of the scarcity of other private financing, credit demand is high, affecting interest rates. The leasing market is still underdeveloped but is starting to become more competitive.

Savings houses' share in the total assets of the banking system was a mere 0.7 percent in 2015. A 2013 law enabled savings houses to transform themselves into financial companies, defined as non-deposit taking institutions under supervision of the Ministry of Finance. Reporting requirements for financial companies are less burdensome than those for savings houses. Four of the existing seven savings houses transformed themselves into financial companies. The remaining three still operate under the provisions of the Banking Law, as there is no separate law that governs these institutions.

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

9. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) operate in several sectors including energy, banking, water supply, communal utilities, and public transportation. There are also sensitive industries such as arms production and pharmaceuticals in which private enterprises may not operate without government approval. There are about 15 enterprises, mostly public utilities, with the central government in dominant ownership , while local governments (81 in total) also own local public utility enterprises. There is no published list or common register of all SOEs in the country. All SOEs are subject to the same tax burden and tax rebate policies as private sector competitors. SOEs are allowed to purchase or supply goods or services from private sector/foreign firms and are not afforded material advantages such as preferential access to land and raw materials.

Macedonia has an observer status in the Government Procurement Agreement (GPA) within the framework of the World Trade Organization since 2013. Macedonia is willing to become a full-fledged party to the GPA.

OECD Guidelines on Corporate Governance of SOEs

SOEs in Macedonia do not adhere to the Organization for Economic Cooperation and Development (OECD) Guidelines on Corporate Governance for SOEs. Macedonia's constitution establishes the same terms of competition for both private and public enterprises with respect to access to markets, credit, and other business operations. Although the law does not give SOEs favorable positions or material advantages, Macedonia's judicial system is subject to political pressure. SOE general managers are usually appointed by the government. Members of SOE boards of directors are usually comprised of both internal and external members and they usually are political appointments . SOE general managers routinely report to a government minister. Third party market analysts take into consideration the SOEs' close ties to the government.

Sovereign Wealth Funds

Macedonia does not have a sovereign wealth fund.

10. Responsible Business Conduct

Although activities to promote corporate social responsibility have created some degree of awareness and capacity, corporate social responsibility (CSR) remains an unclear and nascent concept pertaining mainly to large and very profitable companies. Donations and community engagement programs are the most common CSR programs.

The American Chamber of Commerce in Macedonia has organized business forums with an aim to help integrate responsible business conduct and CSR into business practices and to make businesses more responsive to all stakeholders in the community.

Macedonia’s National Coordinating Body on Corporate Social Responsibility (http://www.cbcsr.mk) organizes the annual national CSR awards.

11. Political Violence

Aside from isolated incidents, politically-charged events have not regularly sparked violence. However, political and ethnic tensions remain and are often aggravated by political rhetoric, especially during elections. Macedonia’s authorities have worked to improve their ability to provide security, in an effort to remain on track for EU and NATO integration. The international community continues to encourage Macedonia to enact reforms and adopt EU best practices in rule of law and media freedom. A contributor to peacekeeping efforts in Afghanistan and elsewhere, Macedonia is dedicated to remaining a provider of international security and stability.

12. Corruption

Although Macedonia’s legal framework is sound, enforcement is weak and the public is skeptical of the government's willingness to prosecute corrupt officials. The public generally views the police, courts, higher education, and healthcare sectors as the most corrupt public sectors. Instances of selective prosecution have compounded public mistrust of government institutions. Investors and businesspeople have reported being solicited for bribes, particularly when participating in public procurements and government projects. The State Commission for Prevention of Corruption (SCPC) established in 2002, is responsible for implementation, regulating measures for corruption prevention, and conflicts of interest and public interest activities by certain state authorities (http://www.dksk.org.mk/en/). However, the Commission is passive, is not respected, and very few cases that are brought before the Commission proceed to the Public Prosecutor's Office for further investigation. In 2014, SCPC received 158 cases of alleged corruption, out of which it forwarded just seven to the Public Prosecutor's Office, but there were no indictments or convictions.

Transparency International ranked Macedonia 66th out of 175 countries on the 2015 Corruption Perception Index. The government has reduced some opportunities for corruption by adopting "E-government" systems for managing international cargo transport licenses, issuing export/import licenses, and managing public procurement. The Customs Agency has improved services through internal reforms and the adoption of electronic customs clearance solutions. The simplified and automated processes enable businesses to monitor the status of their applications in these areas. Such systems are an improvement when used and correctly implemented.

The Law on Criminal Procedure criminalizes bribery and abuse of official position. Other anti-corruption laws include the Law on Money Laundering Prevention and the Law on Corruption Prevention, which provide for penalties including prison and confiscation of illegally-obtained property.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Macedonia ratified the United Nations Convention against Corruption in early 2007, and has ratified the UN Convention against Transnational Organized Crime.

Macedonia has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery.

Resources to Report Corruption

- State Commission for Prevention of Corruption
- Ms. Antonija Andonova, Public Relations
- Dame Gruev 1
- 1000 Skopje, Macedonia
- Tel: +389 2 321 5377
- E-mail: dksk@dksk.org.mk
- Public Prosecution Office for Fighting Organized Crime and Corruption
- Mr. Jovan Ilievski, Chief
- Boulevard Krste Misirkov BB, Sudska Palata
- 1000 Skopje, Macedonia
- Tel: +389 2 321 9884
- E-mail: jilievski@zjorm.org.mk
- Transparency International – Macedonia
- Ms. Slagjana Taseva, President
- Naum Naumovski Borce 58
- P.O. Box 270
- 1000 Skopje, Macedonia
- Tel: +389 2 321 7000

- E-mail: info@transparency.mk

13. Bilateral Investment Agreements

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

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

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

Bilateral Taxation Treaties

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

14. Foreign Trade Zones/Free Ports/Trade Facilitation

There are four major designated free trade zones, known as TIDZs, in Macedonia: “Skopje 1” (Bunardzik), “Skopje 2” (an area north-east of Skopje), an area in the city of Stip, and an area in the city of Tetovo. In addition, there are eleven other smaller TIDZs. Only three of the major zones contain operating companies; the smaller zones are in various stages of development, with some just receiving their first investing companies. Amended legislation (http://www.fez.gov.mk/tir-zones-law.html) permits and regulates these zones.

The Directorate for Technological Industrial Development Zones (http://www.fez.gov.mk) develops and establishes the TIDZs and supervises activities within 14 of them. The TIDZ in Tetovo is a public private partnership and is in the process of implementing its first investment project, by U.S. automotive supplier Lear Corporation.

In 2007, Johnson Controls began producing automotive electronic equipment in the Bunardzik TIDZ. In 2014, Visteon Corporation, another American global automotive parts supply company, took over that factory. Johnson Controls operates an automotive upholstery plant in the Stip TIDZ, and is opening a second plant near Strumica. Another U.S.-based company, Kemet Electronics Corporation, which produces capacitors, invested in a production facility at the Bunardzik TIDZ. Other foreign investors present at the Bunardzik TIDZ include U.K. company Johnson Matthey, which produces catalytic converters for automobiles; TeknoHose, an Italian firm that produces high-pressure hydraulic fittings; and

Protek Group, a Russian pharmaceutical company. Cap-Con's ARC Automotive opened a factory for airbag inflators in December 2015 in the same TIDZ. Van Hool, a Belgium manufacturer of buses, has built a production facility at TIDZ Skopje 2. In March 2016, Key Safety Systems commenced production of automotive airbag cushions at a greenfield investment in the Kichevo TIDZ.

15. 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) ($M USD)	2015	10,093	2014	11,320	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	6.1	2012	$4	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2015	0.0	2014	-1.0	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	1.8	2015	3.1	IMF

Table 3: Sources and Destination of FDI

The results from the International Monetary Fund (IMF) on inward direct investment presented in Table 3 differ from the data provided by the National Bank of the Republic of Macedonia (NBRM) due to different means of determining the country of origin of investments. In particular, the IMF tends to credit investment to the country from which the investment actually originated, whereas the NBRM often credits investment to a third country, if that is where the bank determined the investment originated. For example, for tax reasons, much investment in Macedonia passes through the Netherlands. The IMF lists the Netherlands as the largest investor in Macedonia, whereas the NBRM recognizes the Netherlands only as the fifth largest source of FDI in Macedonia with USD 396 million (7.8 percent of total). According to the NBRM, as of end-2015 the largest source of inward FDI is Austria with USD 672 million (13.3 percent of total investments), followed by Slovenia with USD 519 million (10.2 percent), Germany with USD 480 million (9.5 percent), and Greece with USD 406 million (8.0 percent).

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	4,893	100%	Total Outward	147	100%
Netherlands	1,058	22%	Serbia	73	50%
Austria	628	13%	Netherlands	22	15%
Greece	522	11%	Bosnia and Herzegovina	14	10%
Slovenia	471	10%	Russian Federation	10	7%
Hungary	276	6%	Slovenia	6	4%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment data is not available for Macedonia.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

Civil law system; judicial review of legislative acts

International organization participation:

BIS, CD, CE, CEI, EAPC, EBRD, EU (candidate country), FAO, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM (observer), IPU, ISO, ITU, ITUC (NGOs), MIGA, OAS (observer), OIF, OPCW, OSCE, PCA, PFP, SELEC, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Macedonia has exchange controls governing capital transactions applying to capital market securities.

Treaty and non-treaty withholding tax rates

Former Yugoslav Republic of Macedonia has signed **46 agreements** (**45 DTC** and **1 TIEA** agreements) providing for the exchange of information.

About this list of agreements »

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Albania	DTC	15 Jan 1998	2 Sep 1998	Unreviewed	Yes
Argentina	TIEA	26 Apr 2013	not yet in force	Unreviewed	Yes
Austria	DTC	10 Sep 2007	20 Jan 2008	No	No
Azerbaijan	DTC	22 Apr 2013	12 Aug 2013	Unreviewed	No
Belarus	DTC	19 May 2005	26 Jan 2006	Unreviewed	No
Belgium	DTC	6 Jul 2010	not yet in force	Yes	Yes
Belgium	DTC	21 Nov 1980	20 May 1983	Yes	No
Bulgaria	DTC	22 Feb 1999	24 Sep 1999	Unreviewed	No
China	DTC	9 Jun 1997	29 Nov 1997	Yes	No
Chinese Taipei	DTC	9 Jun 1999	9 Jun 1999	Unreviewed	No
Croatia	DTC	6 Jul 1994	11 Jan 1996	Unreviewed	No
Czech Republic	DTC	21 Jun 2001	17 Jun 2002	Yes	No
Denmark	DTC	20 Mar 2000	14 Dec 2000	Yes	No
Egypt	DTC	22 Nov 1999	not yet in force	Unreviewed	No
Estonia	DTC	20 Nov 2008	21 May 2009	Yes	Yes
Finland	DTC	25 Jan 2001	22 Mar 2002	Yes	No
France	DTC	10 Feb 1999	1 May 2004	Yes	No
Germany	DTC	13 Jul 2006	29 Nov 2010	Yes	No
Hungary	DTC	13 Apr 2001	14 Mar 2002	Yes	No
Iran	DTC	12 Jul 2000	not yet in force	Unreviewed	No
Ireland	DTC	14 Apr 2008	23 Jun 2009	Yes	Yes
Italy	DTC	20 Dec 1996	8 Jun 2000	Yes	No
Kazakhstan	DTC	2 Jul 2012	not yet in force	Unreviewed	Yes
Kosovo	DTC	6 Apr 2011	13 Apr 2012	Unreviewed	Yes
Kuwait	DTC	30 Mar 2012	not yet in force	Unreviewed	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Latvia	DTC	8 Dec 2006	25 Apr 2007	Unreviewed	No
Lithuania	DTC	29 Aug 2007	27 Aug 2008	Yes	No
Luxembourg	DTC	16 May 2012	23 Jul 2013	Yes	Yes
Moldova, Republic of	DTC	21 Feb 2006	28 Dec 2006	Unreviewed	Yes
Montenegro	DTC	4 Sep 1996	22 Jul 1997	Unreviewed	No
Morocco	DTC	11 May 2010	14 Sep 2012	Unreviewed	Yes
Netherlands	DTC	11 Sep 1998	21 Apr 1999	Yes	No
Norway	DTC	19 Apr 2011	1 Nov 2011	Yes	Yes
Poland	DTC	28 Nov 1996	17 Dec 1999	Yes	No
Qatar	DTC	28 Jan 2008	13 Oct 2008	Yes	No
Romania	DTC	12 Jun 2000	16 Aug 2002	Unreviewed	No
Russian Federation	DTC	21 Oct 1997	14 Jul 2000	No	No
Serbia	DTC	4 Sep 1996	22 Jul 1997	Unreviewed	No
Slovakia	DTC	5 Oct 2009	27 Apr 2010	Yes	No
Slovenia	DTC	15 May 1998	20 Sep 1999	Yes	No
Spain	DTC	20 Jun 2005	1 Dec 2005	Yes	No
Sweden	DTC	17 Feb 1998	18 May 1998	Yes	No
Switzerland	DTC	14 Apr 2000	27 Dec 2000	No	No
Turkey	DTC	16 Jun 1995	28 Nov 1996	Yes	No
Ukraine	DTC	2 Mar 1998	23 Nov 1998	Unreviewed	No
United Kingdom	DTC	8 Nov 2006	8 Aug 2007	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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