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ACCESSION OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Questions and Replies to the Memorandum on the Foreign Trade Regime (Document WT/ACC/807/2)

In a communication, dated 8 December 1994 (PC/W/18), the Government of the Former Yugoslav Republic of Macedonia applied for accession under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (WTO). Having regard to the Decision adopted by the General Council on 31 January 1995, the existing Working Party on the Accession of Former Yugoslav Republic of Macedonia to the GATT 1947 continued as a WTO Working Party with the following terms of reference: "To examine the application of the Government of the Former Yugoslav Republic of Macedonia to accede to the WTO Agreement under Article XII, and to submit to the General Council recommendations which may include a draft Protocol of Accession." The membership is open to all WTO Members indicating their wish to serve on the Working Party.

In document WT/ACC/807/2, Members had been invited to submit questions in writing concerning the foreign trade regime of Macedonia. The questions submitted by Members and the replies thereto provided by the authorities of Macedonia are reproduced hereunder¹.

¹ Please note that Annexes 1 to 8 will be circulated in Addendum 1 (WT/ACC/807/5/Add.1) to this document.

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II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

(b) Current economic situation

Question 1

As outlined in WT/ACC/807/2 and 3, in an economically troubled region, Macedonia had achieved impressive macroeconomic stabilization by mid - 1996. Macedonia's hard won macroeconomic stability has been weakened, however, first by lagging structural reform and recently by the severe external shocks due to the events of Kosovo. We and other members of the international community are contributing additional economic assistance to Macedonia's efforts to manage the effects, which will require further macroeconomic adjustment, including the external account and accelerated structural reform.

What are Macedonia's plans for macroeconomic adjustment, including the external account?

Answer:

The Republic of Macedonia is committed to building an open economy, based on principles of private ownership, market economy, state deregulation and liberalized foreign trade.

In spite of the difficult conditions, the Republic of Macedonia continues to implement the policy of stabilization of the economy and structural reforms.

The Government of the Republic of Macedonia gives a special attention to the growth in the production as a base condition for the macroeconomic stabilization. In this context, the qualitative restructuring of the economy depends greatly on the increase in exports and, as a result, an increase in the employment.

To support the above-mentioned processes, changes are implemented in the monetary, financial, tax and customs systems and the international trade. Reforms are carried out in the public administration, judiciary, education, culture, social policy, health and the protection of the environment with an emphasis on the adjustment to the international standards.

In December 1999, the Government of the Republic of Macedonia adopted the Macroeconomic Policy for 2000 (Official Gazette no.86/99) – see Attachment 1.

According to the Macroeconomic Policy, the English translation of which is attached, projected macroeconomic indicators for the year 2000 are as follows:

- Real increase in the GDP of 6.0 per cent (5.0 per cent in the agriculture and 9.0 per cent in the industrial sector)
- Nominal increase in exports of goods of 10.3 per cent
- Nominal increase in imports of goods of 13.1 per cent
- Average annual increase of 4.0 per cent in retail prices
- Maintenance of average salaries at the 1998 level and increase in the number of employees by 2.0 per cent

The Macroeconomic Policy for 2000 describes in detail targets and measures for achieving the macroeconomic stability and restructuring of the economy. This includes measures in income policy regarding salaries and prices, fiscal policy - strict control of public expenditures, changes in the

tax system and improvement of the tax administration, monetary policy - optimal use of money and credits, foreign sector - creation of conditions for more dynamic exports of goods and services, real sector - more favorable grounds for domestic and foreign investments and encouragement of small and medium-sized enterprises, and strengthening the institutional setting and legal framework for foreign direct investments.

The structural reforms will be addressed by an appropriate application of the market and commercial criteria and gradually abandoning the "soft budget financing".

The corporation management will be improved by establishing regulations in the area of trading with long-term securities, establishment of investment funds and changes in the insurance schemes.

The structural adjustment will be carried out in the banking sector, labour market and social protection and in the health and pension sector.

The Macroeconomic Policy contains a table elaborating on directions, types of measures (legislative, institutional or other (financing, programs, education)), ministries or bodies responsible for the implementation and timing.

The macroeconomic adjustment of the external account will be addressed through adjustments in the balance of payments, rational use of the foreign capital and inflow of funds to foreign currency accounts. The exports will mainly be oriented to the developed countries, as well as Eastern European countries which have traditionally been main trading partners of the Republic of Macedonia before the independence and in 1999 participated in the exports with only 6.3 per cent.

At present, the Republic of Macedonia is in the process of negotiating the conditions for new credits for support of the structural reforms with the International Monetary Fund and the World Bank.

Question 2

Is the government considering implementing balance-of-payments-related trade measures?

Answer:

At present, the government is not intending to impose any restrictive measures for balance of payment purposes. However, such measures are not ruled out in the future if necessary. In this case, their implementation would be in conformity with the provisions of Article XII of GATT 1994 and the Uruguay Understanding on Balance-of-Payment Provisions of GATT 1994.

2. Economic policies

(a) Main directions of the ongoing economic policies

Question 3

Please update the Working party on the state of privatization. What industries have and will be privatized? Please provide a time table for those industries which will be privatized.

Answer:

According to the existing legislation (Law on Transformation of Enterprises with Social Capital - Official Gazette of RM 38/93, 48/93, 21/98, 25/99, 39/99, 81/99; Law on Transformation of Enterprises and Co-operatives in the Agricultural Sector - Official Gazette of RM 19/96, 25/99; Law on Privatization of the State Capital in Companies - Official Gazette of RM 37/96, 25/99) 1,600 enterprises have been subject to privatization (1,250 non-agricultural and 350 agricultural).

The report of the Agency for Privatization of 31 December 1999, indicates that by that date 1,488 enterprises with an estimated value equivalent in US\$ 2,126 billion² and employing 216,000 people were privatized. (See the Status Report in Attachment 2 to the Document).

At present, privatization is not anticipated in the following entities:

- Enterprises and organizations that conduct activities of special national interest;
- Public utilities;
- Enterprises and legal entities that conserve water, forests, land and other public goods;
- Enterprises with a monopoly status according to the Law are to be privatized under separate laws.

The Law on Transformation of Enterprises with Social Capital provides for the following:

- a) Employees are offered an initial discount of 30 per cent plus 1 per cent for each year of work in the enterprise from the appraised value. They can buy shares at a discount rate of up to an amount not higher than DM 25,000 and not more than 30 per cent of the appraised value of the company. Payment can be made in five-year instalments without down payment and with a two-year grace period.
- b) At starting the privatization procedure an enterprise must automatically transfer 15 per cent of the social capital (in a form of shares or stocks) to the Pension Fund. These are non-voting, preferred and participating stocks and they are expected to earn 2 per cent fixed dividend.

The Law on Transformation of Enterprises with Social Capital offers different privatization methods according to the size of the enterprise³ based on the number of employees:

1. Small enterprises (Article 41):
 - Employees buyout
 - Sale of a part of the enterprise (in a form of shares or stocks)

² According to Article 9 of the Law on Transformation of Enterprises with Social Capital, the appraised value of companies is expressed in MDen and DM, using the average exchange rate at the day of evaluation.

³ According to the Law on Transformation of Enterprises with Social Capital, two out of three conditions should be satisfied for classification of an enterprise in one of the following categories:

Small enterprise: Under 50 employees, total annual revenues under 8,000 average monthly salaries in the Republic of Macedonia and book value of operating assets up to 6,000 average monthly salaries. (In 1999 an average monthly salary was equal to 9,664.00 MDen).

Medium-sized enterprise: Between 50 and 250 employees, total annual revenues up to 40,000 average monthly salaries in the Republic of Macedonia and book value of operating assets up to 30,000 average monthly salaries.

Large enterprise: An enterprise exceeding these limits.

2. Medium-sized enterprises (Article 55):
 - Sale of the enterprise or a part of it
 - Buy-out of the enterprise
 - Management buy-out
 - Issue of shares for additional investment
 - Debt/equity swap
3. Large enterprises (Article 71):
 - Large enterprises use the same methods as the medium-sized enterprises, with the only difference that the down payment for management buy-out is 10 per cent and for the issue of shares for additional investment is 15 per cent.

In addition, the following methods of privatization can be applied to all enterprises, irrespective to their size:

- Leasing (Articles 73-75)
- Sale of all assets of the enterprise (Articles 76-79);
- Transformation of enterprises under the bankruptcy procedure (Articles 80-86).

The Status Report attached (Attachment 2) overviews the status of privatization as of 31 December 1999: a) by sectors; b) methods of privatization; and c) enterprises in process of privatization.

a) Privatized enterprises by sectors

Majority of privatized enterprises belong to the manufacturing sector (451). They account for 30.3 per cent of the total number of privatized enterprises and their share is 60.9 per cent in the number of employees and 65.2 per cent in the estimated value.

It is followed by the agriculture sector (346 enterprises), representing 23.3 per cent of the total number of privatized enterprises, with a share of 7.1 per cent in the number of employees and 6.4 per cent in the estimated value. The privatization in this sector began only in 1996 and is still carried out. Enterprises that were already privatized are either cooperatives or small enterprises with a small number of employees and a low value.

328 privatized enterprises in the trade sector represent a share of 22.0 per cent of the total, 7.9 per cent of the total number of employees and 11.4 per cent of the total estimated value, respectively.

Though the construction sector accounts only for a small part in the total number of privatized enterprises (112 or a share of 7.5 per cent), its share in the total number of employees is relatively high (14.7 per cent) as it is a labour intensive sector and encompasses largest enterprises in Macedonia.

b) Privatized enterprises by methods of privatization

Most enterprises (384 enterprises, or around 26 per cent) were privatized by the employees' buy-out method. They employed 17,738 persons (8 per cent of the total number) and their equity accounted for only 4 per cent in the total equity. Though the employees' buy-out was the most frequent method used, only a small share of the equity has been privatized by this method. This is attributable to the fact that by the Law only small enterprises may use it.

The next most frequently implemented method according to the number of privatized enterprises was the management buy-out (247 enterprises or 17 per cent of the total). Compared to the former method, the management buy-out shares were the highest with respect to the employment and the equity value, employing 72,720 persons or around 34 per cent of the total, and with the equity of 34 per cent, respectively.

A significant part of privatization was carried out by the enterprise buy-out method. This method was implemented in 149 enterprises (10 per cent of the total number of privatized enterprises), employing 49,585 persons (23 per cent of the total), and accounting for 24 per cent of the total equity of privatized enterprises.

From the data shown above it can be concluded that through the privatization process the social capital in Macedonia has been mainly acquired by employees and management teams.

c) Enterprises under privatization

At present, 181 enterprises are in some stage of the privatization procedure. Their value is around US\$ 225 million and they have 26,383 employees.

The manufacturing sector is the most important from all aspects, e.g. number of enterprises, employment and estimated value (31.5 per cent of the enterprises, with 46.3 per cent of employees and 38.3 per cent of the value) and is followed by the agriculture sector (30.4 per cent of the enterprises, with 34.7 per cent of the employees and 32.3 per cent of the value, respectively).

An acceleration of the privatization process is expected with the implementation of changes to the Laws adopted in 1999.

Question 4

Privatization: Could the Macedonian delegation provide us an action plan on the process of privatization with reference to the ongoing activities and the restructuring of enterprises?

Answer:

The Republic of Macedonia has no action plan for the process of privatization. The Agency for Privatization will focus its future activities on: a) the collection of matured amounts arising from obligations under concluded contracts and subscriptions of shares with discount; b) the sale of shares transferred to the Agency; c) the sale of the state capital; and d) the sale of shares held in the Pension Fund if an approval is obtained for their inclusion in blocks.

Question 5

Macedonia reports in WT/ACC/807/2 and 3 that by the end of 1998, the ownership transformation of a total number of 1,435 enterprises (or 85 per cent) was completed, while 177 enterprises were still in the process of privatization. Macedonia estimated that privatisation of these enterprises would be completed "within the next several months". If was further stated that "95.3 per cent of the total number of enterprises have completed or are currently undergoing this process".

We would appreciate information on the remaining state - owned enterprises, e.g., their nature, size, and prospects for future privatization.

Answer:

The latest data on the privatization are described in question 3 and the Status Report attached.

Question 6

We request that Macedonia produced a chart, similar to those produced by Latvia, Estonia and Kyrgyz Republic on scope and pace of privatization in Macedonia.

Answer:

A Chart and the Status Report at 31 December 1999 prepared by the Agency for Privatization is attached. Please note, however, that numbers in tables do not necessarily match as they changed in the course of privatization due to bankruptcy, division and/or establishment of new entities.

Question 7

Please provide more information to the Working Party on regional development policy, especially customs and tax policy. Has regional policy been extended beyond 1995, and if so, until what date?

Answer:

Under the Government policy for regional development, farmers in underdeveloped regions are granted tax exemptions. The Decision on Determining the Economically Underdeveloped Regions published in Official Gazette no. 56/99 determines regions which are to be considered underdeveloped in the period 1999-2003. Article 24 of the Law on Personal Income Tax provides for the following:

“A taxpayer, whose primary activity is agriculture in underdeveloped regions is exempt from taxation.

Cadastral communities with over 50 per cent of agricultural land consisting of VI to VIII category of land are considered to be underdeveloped regions under this Law.

Underdeveloped regions indicated under paragraph 2 of this Article are determined by the Government.”

An Agency for Development of Underdeveloped Regions established by the Law on Encouraging Development of Underdeveloped Regions (Official Gazette 2/94, 39/99) receives from the Budget allocations for infrastructure facilities. The Budget allocation for 1999 was 578 million Macedonian Denar (MDen) and for the year 2000 Budget allocation is 580 million MDen.

Question 8

Structural reform is widely considered to be lagging on several areas.

What are the plans to accelerate structural reforms? Please provide details specifically for;

- **privatization plans, especially of state - owned banks;**
- **financial sector reform, particularly liquidation of insolvent banks and development of more advanced prudential oversight;**

- **reform of commercial law and corporate governance for banks and large enterprises, designed to promote restructuring, foreign direct investment, and market - based, “arms - length” bank lending, and**
- **reform of the labour market to address harmful rigidities.**

Answer:

In order to achieve long-term and sustained macroeconomic stability, the Government of the Republic of Macedonia is aware of the necessity for deeper and accelerated structural reforms. The privatization process is in the final stage, but there are still large, loss-making companies under state control that are a main concern for the Government. Finding strategic investors for these companies with fresh capital is a major priority. In general, the Government is attempting to attract foreign capital for the whole of the economy to facilitate this process. The Government also requested support from the IMF through a new ESAF arrangement. The Government is determined to strengthen public expenditure management, improve banking supervision, implement further enterprise reforms and revise other relevant policies as necessary. (See question 1 on Macroeconomic policy in the year 2000.)

The Republic of Macedonia inherited a large amount of external debt from former Yugoslavia. With assistance of international institutions, the Republic of Macedonia has managed to service its external debt to date. However, considerable additional assistance is needed. For the external debt management policy to be prudent, foreign financial assistance on concessionary terms is necessary in order to have a workable level of foreign indebtedness. Also, bearing in mind the low level of domestic savings, foreign capital is essential for the private sector to expand and become internationally competitive.

To facilitate the structural reform process, the Republic of Macedonia is extensively utilizing technical assistance from EU Phare, US Agency for International Development, the World Bank, the IMF and other international organizations.

Banking Sector

The restructuring of the banking sector will continue and accelerate in the forthcoming period. This process is intended to enhance financial stability and help to restore public confidence in domestic banks. The restructuring process also entails the privatization of banks that have not been privatized and contributes to integrating the financial system into the international market.

In cooperation with one expert of the World Bank, a new Banking Law has been drafted and is expected to be submitted to the Parliament at the beginning of July.

The National Bank of the Republic of Macedonia intensifies its supervision of commercial banks and savings houses, by applying international standards. It established two new units, Problem Banks Unit and Methodology Unit, in order to improve the supervision of banks and resolving their problems. Manuals necessary for performing supervision of banks were prepared and a strategy on dealing with problem banks was adopted.

For faster integration in the international market, more intensive relations of domestic banks with foreign financial institutions and their representations in the country are encouraged. In addition, establishments of foreign banks and improvements of the credit rating methods for domestic banks are promoted. In order to improve the competition in the banking sector, the development of commercially viable banks are encouraged. Also, the banking infrastructure will be made more efficient through mergers, acquisitions, and by increasing the minimal capital requirements.

Among other things, a share purchase agreement between the biggest Macedonian bank, Stopanska Banka a.d. Skopje and National Bank of Greece was signed and the transaction on the stock market was made on 4 April 2000. In Kreditna Banka a.d. Skopje, 65 per cent of the voting right shares were purchased by Alpha Credit Bank from Greece. The arrangement has been finalized.

It is expected that the entrance of foreign investors in these banks which will bring a better corporate governance, will result in a significant improvement of their soundness, and better performance.

The insurance of saving deposits will continue so as to further strengthen the confidence in the banking sector. Also, the required value of basic capital for savings banks will be increased, new insurance levels for savings deposits will be established and the administration of the Savings Deposits Insurance Fund will be reformed.

Mechanisms intended to increase the funds offered through the banking sector will be applied in order to decrease interest rates. Decreased interest rates are a necessary pre-condition for economic growth that can be achieved primarily through extended domestic saving.

Commercial banks are resolving the issue of accumulated debt pertaining to interest rates. By resolving this problem they will contribute to their own restructuring and clearing of their balance positions which would bring to decrease in both real and nominal rates.

Privatization of banking sector in the Republic of Macedonia

The only fully state-owned bank that was recently established in the Republic of Macedonia is the Macedonian Bank for Development Promotion. The bank was established in May 1998 with the Law on Establishing the Macedonian Bank for Development Promotion (Official Gazette 24/98).

Reforms in the banking sector have advanced by two parallel processes:

- establishment of new banks that are primarily privately owned.
- privatization of banks that already existed. In turn, this has been realized (a) by privatization of legal entities, e.g. the bank shareholders, and (b) mobilization of new (private) capital through new emissions of shares. The level of private ownership of the banks in the Republic of Macedonia varies from 66 per cent to 100 per cent. On average, 80 per cent of the banking capital is private. If the state owned Macedonian Bank for Development Promotion is excluded, the privatization rate of the Macedonian banks is 85.4 per cent.

Reform in the financial sector

Reforms in the financial sector can be identified with reforms of the banking system.

The inherited economic problems and post-independence economic crisis in the Republic of Macedonia had an adverse impact on the soundness of the banking system. This was reflected in the accumulation of high amounts of non-performing loans (on the assets side) and the problem of household foreign currency deposits that were frozen by the former Socialist Federative Republic of Yugoslavia (SFRY) (the liability side). In the banking system of former SFRY, the option was given to households to have both Mden and foreign currency accounts. Foreign currency deposits were transferred into the international reserves in the Central Bank of SFRY. After the break-down of former SFRY, the assets were seized by Yugoslavia, while liabilities remained in the Macedonian banks. Therefore, the term "frozen" deposits refers to these deposits, deposited before monetary independence. There is a special Government program trying to solve this problem. However, foreign

currency deposits opened after the monetary independence are on free disposal to the depositors in unlimited amounts.

Since the beginning of 1995, the Government undertook decisive measures for rehabilitation and restructuring of the banking system. These measures can be classified into three groups:

1. Linear rehabilitation of all banks balance sheets, comprising:
 - a) All claims and liabilities for household's "frozen" foreign currency deposits in the amount of US\$ 1.4 billion were written off the bank balance sheets and assumed by the Government Budget. Banks were obliged to keep off-balance record of these deposits and to service them for and on behalf of the Government. However, in the past five years the Government has made considerable efforts to gradually resolve the problem of "frozen" foreign currency deposits. This is being done partly by allowing opportunities for limited amounts of these deposits to be withdrawn for specific purposes such as social needs, the purchase of Government property, purchase of state-owned flats, health care, purchase of enterprise shares, etc. In this way, the total debt of the Government to households on the basis of "frozen" foreign currency deposits has been reduced to US\$ 0.6 billion as of the end of March 1999.
 - b) Liabilities to some foreign official and commercial creditors (Paris Club of Creditors and Zurich Club of Creditors) were written off bank balance sheets and assumed by the Government.

2. Rehabilitation and restructuring of Macedonia's largest bank

Stopanska Banka a.d. Skopje, previously had more than two-thirds of total loans and deposits of the banking system. Measures have been taken to:

- Replace due, but uncollected Mden loans in the Bank balance sheet with government bonds, amounting to Mden 4.9 billion (US\$ 123 million);
- Reduce the size of the Bank through shedding five major branches. These branches were transformed into independent commercial banks. In that way, the current share of Stopanska Banka assets have been reduced to 34 per cent, which can still be considered to be a high level of concentration in the Macedonian banking industry;
- Privatization of the Bank was completed with the sale of stocks owned by the Republic of Macedonia and the companies and institutions in the public sector on the stock market. The transaction was completed on 4 April 2000;
- Implementation of measures for strengthening the management of the Bank.

3. The collection of bad loans from domestic enterprises initially assumed by the Government was transferred to the Agency for Bank Rehabilitation, established in the beginning of 1994. The Agency was charged with the administration of 240 enterprises on the basis of MDen claims totalling MDen 12.7 billion or US\$ 317.5 million (for due loans outstanding and doubtful and contested claims on the basis of principal and interest), as of the end of 1994. In addition, the governance of over 189 firms has been assumed by the Agency for Bank Rehabilitation on the basis of loans from Paris and Zurich Club of Creditors, in the total amount of US\$ 336 million. Priority has been given not only to the collection of the loans from domestic firms, but also to the restructuring of the enterprises. The main approaches used in this process are: 1) prompt sales of the claims with discounts; 2) debt rescheduling, with renegotiations for the terms of payment; 3) sale of the claims to interested investors; and 4) conversion of the claims in equity.

In addition, the process of rehabilitation of the banking system in the Republic of Macedonia includes the liquidation of the second largest commercial bank and smaller banks, as well as permanent reform in such areas as international standards for capital adequacy, risk and credit portfolio, foreign exchange exposure, maximum amount of credit to a single borrower, maximum total amount of credit etc. Necessary institutional framework adjustments were further initiated with the establishment of the Deposits Insurance Fund at the end of 1996, and the Reforms of the Payment System commenced in the first quarter of 1996. These last two efforts are still in the process of development.

Insolvent Banks

In April 1998, the National Bank of the Republic of Macedonia issued a Decision on measures and procedures against banks in temporary or permanent insolvency. The Decision defines the situation when an institute is treated as temporarily or permanently insolvent and measures that the Governor is authorized to undertake in this respect.

If the bank is temporary insolvent it may be forbidden to use credits from the reserve money issuance and its credit activities may be stopped. Also foreign exchange operations and exchange offices' operations in the country may be stopped and the bank may be excluded from the foreign exchange market. Foreign credit use may be reduced, the process of granting credits to some of the founders or depositors may be stopped and the process of dividend payments may be reduced. The Governor authorizes a person from the National Bank to organize and control the working of the bank and also bringing infraction against the bank.

The decision for undertaking measures against the bank is also delivered to the Payment Operations Service (ZPP).

If the bank is found to be permanently insolvent, the Governor of the National Bank of the Republic of Macedonia can proclaim the bank insolvent. The Governor of the National Bank of the Republic of Macedonia can also exclude the bank from payment operations.

According to the Decision for proclaiming the bank as illiquid, the terms for pre-rehabilitation, rehabilitation, liquidation or bankruptcy procedures will be examined as soon as possible.

Promoting the quality of bank monitoring

If the banking institution is responsive to the suggestions of supervisors during the examination and if inconsistencies with the law or operating problems are overcome during the examination, measures will not be taken against the institution.

If some weaknesses are found the NBRM in cooperation with the financial institution will develop a program to overcome the unfavorable situation.

The process of bank monitoring and bank examinations in the Republic of Macedonia is being fulfilled by the Supervision Department of the NBRM. Supervisors conduct field (on-site) full scope examinations. Each institution should be inspected at least once a year. Also, depending on the needs and specific situations in certain institutions, some limited scope and sudden examinations can be carried out. The NBRM developed a uniform examination process of banks and savings houses with the adoption of the Examination Manual. This manual contains all necessary procedures for qualitative and quantitative analyses for all banking operation areas.

Reforms in the labour sector

Following the recommendations of the World Bank and the IMF the Republic of Macedonia started to implement structural reform project in the social sector and labour market. The project encompasses reforms of the pension, health and social insurance schemes, and adjustments of the legislation governing labour and social welfare.

The main objectives of the project are the following: (1) to provide a long-term basis of the most important social reforms; (2) to adjust and amend the legislation governing labour in order to increase the efficiency of the labour market; (3) to reduce the poverty by improving the efficiency of reforms in the social area.

Changes in the legislation which are underway include:

- a) Amendments and revisions of laws and regulations governing pension and unemployment insurance schemes. The proposed legislative changes had been submitted by the Government to the Parliament. The Law on Employment and Insurance in Case of Unemployment (Official Gazette 37/97), changes the definition regarding active search for work by unemployed persons and conditions and duration of unemployment benefits.

- b) Simplification of the procedures for employing and laying-off workers, a more flexible collective bargaining system, and reduction of benefits from insurance in case of unemployment.

The amended Law on Labour Relations which is drafted foresees that collective bargaining agreements will no longer be binding on employers who had not signed them and that procedures for laying-off redundant employees and their protection will be simplified.

The Ministry of Labour and Social Policy established a Unit for Evaluation of the Employment and Social Policy.

Question 9

Prices for flour, electric power, petroleum derivatives, railway transport charges and PTT services were subject to the regime of direct control. Is there a product of this list still subject to the regime of price control? If yes, does the Republic of Macedonia intend to maintain such a measure?

Answer:

The legal grounds for introducing the price control is the provision of Article 24 of the Law on Trade which reads:

Article 24

“The Government shall undertake measures against monopolistic positions and market behaviour by determining the highest prices of particular products and services in the production and trade, and by determining protective prices of certain agricultural products.

The measure determining the highest prices of particular goods and services may not exceed six months.

The Government shall designate the agricultural products for which protective prices are to be assigned.”

The price control system is used because of the following two reasons: a) as an instrument to restrict the prices determined by entities that have a monopoly on the market; and b) to provide for the price of some strategic products that make them available for the majority of the population. The price control is applied only periodically when needed.

A list of products and services subject to price control is determined every six months by a decision made by the Government upon a proposal from the Ministry of Trade. The recent list provided in the Decision on the Highest Prices of Certain Products and Services (Official Gazette 26/00) covers the controlled prices for the period April - September 2000.

According to the Decision on the Highest Prices of Certain Products and Services, the following products and services are subject to price control in the period from April - September 2000:

- production and marketing of flour type “500”(HS 1101 00 00 00) and bread made of flour type “500” weighing 600 g. (HS 1905 20 00 00);
- production and marketing of oil and oil derivatives;
- production, transfer and distribution of electric power;
- services in the domestic PTT traffic and services of the public mobile telephony for users of the existing stationary telephone network only;
- transport of passengers and goods in the railway traffic;
- production and supply of raw water for human and industrial consumption;
- production and distribution of water;
- treatment and draining away of waste water (collectors excluded);
- keeping towns, cities and settlements clean (collecting and depositing waste);
- other communal services: mortuary services, including charges for the grave site and the funeral;
- distribution of natural gas; and
- services for mandatory insurance of vehicles;

In order to provide real, reliable and transparent condition in energy price setting , Article 39 of the Law on Energy(Official Gazette 47/97) stipulates that prices of electricity, natural gas, heat energy, geothermal energy, and oil derivatives are set in accordance with the Methodology for Pricing of certain forms of energy.

This Methodology was adopted in August 1998 (Official Gazette 43/98).The price structure consists of normalized costs (depreciation, equipment insurance, maintenance, cost for materials and energy, gross salary, services from others, concessions, other costs, etc.) taxes and contributions and profit.

The prices of energy from networks (electricity, natural gas, district heat) and derivatives may be changed if the supervised costs increase or decrease by at least 5 per cent during a 3 months period. In an extreme case of change of the supervised costs, the price change shall take place within 15 days.

This Methodology also stipulates that the reference prices shall be indicative for managing the pricing policy in the energy sector. Reference prices of certain forms of energy are prices at which

a certain form of energy can be provided from import at the moment of forming the prices, taking into account the protective mechanisms of the state.

The energy price changes are proposed by the relevant energy enterprises. Implementation of the Methodology is made by Government which gives its approval with respect to price changes. For the production prices, prior opinion is required by the Ministry responsible for energy. For retail prices, prior opinion is required by the Ministry responsible for trade. In the case the Government for certain reasons does not grant consent for price changes proposed by energy enterprises, and calculated in accordance with the Methodology, the Government shall compensate the losses which might arise as a result of non-granting such a consent.

Electricity, natural gas and heat prices are structured in accordance with an appropriate tariff structure system. Resolutions on tariff structure system are made by the Government.

The Government of the Republic of Macedonia intends to maintain these measures until the end of the transition period or until this system is no longer needed.

The Law Against Limiting the Competition and the Law Against Unfair Competition were adopted by the Parliament in December 1999 (Official Gazette 80/99) will be available as part of Annex 2 (which will be circulated in Addendum 1 to this document) for examination by the Working Party members.

Question 10

In WT/ACC/807/3, Macedonia states that “in 1999, in principle, the policy of free price formation will also be pursued, on the basis of demand - supply. Price control will be applied only to small number of goods and services, which are of importance for the standard of living of the population and which have a certain monopoly status on the market, as stated in the Memorandum...”

Does Macedonia maintain in domestic price controls on goods? On services?

Answer:

Please refer to Question 9.

Question 11

If so, please (a) list all goods (by HS96 number) and services subject to price or profit controls, (b) cite the legal authority for these requirements, (c) indicate the conditions under which such controls are normally applied, and (d) describe Macedonia’s plans for maintaining these requirements or increasing their scope of applications.

Answer:

Please refer to Question 9.

Question 12

Please describe how these requirements are applied to domestic and imported goods, e.g., at what point of sale.

Answer:

Please refer to Question 9.

Question 13

Please describe these requirements in relation to the “certain monopoly status on the market, as stated in the Memorandum” enjoyed by these products, i.e., what monopoly status?

Answer:

Please refer to Annex 6 and question 9.

Question 14

Please explain your statement in paragraph 10 about creating conditions for opening and investment cycle on quantitatively new grounds. What does this entail?

Answer:

The investments will be particularly encouraged in the sectors that are export oriented and ones that rely on the scientific and technological achievements. The domestic production will be restructured to provide for more products that are finalized in the country and that satisfy the international standards. It is anticipated that the privately owned companies will be the main carriers of the investment activity, especially in the industrial and the agricultural sector and the small businesses.

The Program for Stimulating Investments with a Special Emphasis on Attracting Foreign Investments includes incentives having as an objective to encourage foreign direct investments.

Please refer to Question 187.

(b) Monetary and fiscal policies

Question 15

Please provide more detailed information on wage and monetary aggregate control and on monetary and credit policy.

Answer:

The macroeconomic policy of the Republic of Macedonia is based on coordination between the fiscal and monetary policy and wage policy. In this context, the wage policy, as an integral part of the macroeconomic policy, has as a function to maintain the established price stability in the Republic of Macedonia. Namely, the Law on Payment of Salaries (Official Gazette 70/94, 62/95, 33/97) has “frozen” salaries in companies that have only partially been privatized. A policy of restricting increase in salaries is maintained to achieve certain control over the range of salaries and the individual consumption, as a component of the aggregate consumption, and to prevent emerging of inflation.

The National Bank of the Republic of Macedonia (NBRM), as a central bank, is responsible for formulating and implementing the monetary policy in the Republic of Macedonia. Pursuant to the Law on the National Bank of the Republic of Macedonia (Official Gazette 26/92, 4/93, 29/93, 17/96, 29/96, 64/96, 30/97, 37/98, 7/99) the NBRM is responsible for the stability of the domestic currency,

as well as for providing and maintaining a sound banking system. Basic functions of the NBRM are the following:

1. To regulate the quantity of money in circulation;
2. To maintain liquidity of banks and savings houses;
3. To maintain liquidity of payments abroad;
4. To issue paper and hard money;
5. To perform activities on behalf of the Government bodies;
6. To supervise and inspect.

The NBRM has a relatively high level of independence which encompasses:

- Procedure for appointing Governor of the NBRM. The Governor of the NBRM is elected by the Parliament of the Republic of Macedonia, upon proposal by the President. The mandate of the Governor is 7 years, which is 3 years more than the term of members of the Parliament.
- Deciding authority on loans that the NBRM gives to the state. The Central Bank limits the direct monetization of the budget deficit in three ways: (1) the state may take loans in value of up to 5 per cent of the budget in a fiscal year; (2) loans are short-term and due by the end of the fiscal year; (3) the NBRM may loan funds to the state only within the framework of the projected monetary policy.
- independence in the implementation of the monetary and credit policy, i.e. in selecting the monetary strategy and instruments for accomplishing the main goal of the monetary policy.

Control over the circulation of loaned funds and monetary aggregates, is achieved through selection and implementation of monetary strategy and appropriate instruments of the monetary policy. The main goal of the monetary policy is to maintain the stability of the domestic currency. For this purpose, since October 1995, the NBRM has targeted the nominal foreign exchange rate of the MDen to the German Mark. At the same time, maintaining the foreign exchange rate of the MDen in relation to the German Mark on the targeted level is an intermediary goal of the macroeconomic policy. Under such circumstances, the monetary circulation is subject to maintaining the targeted foreign exchange rate of the MDen. This strategy has been successful, as it has reduced the inflation rate to one-figure, similar to the inflation rates in developed countries. A stable foreign exchange rate of the domestic currency is very important for a small and open economy such as the Macedonian. It helps minimize the commercial entities' expectations of inflation. By establishing stable prices and foreign exchange rate, the monetary policy has created an environment in which the structural reforms of the financial and the real sectors in the commerce will contribute to an accelerated development of the economy.

In the implementation of the monetary policy, the NBRM uses the following monetary regulation instruments: obligatory reserve, trade with securities of the NBRM, trade with domestic and foreign short-term negotiable securities of the NBRM, NBRM deposit auctions, a discount window, collateral credits, swap transactions, trade in foreign currency and limitations on the number of loans. The most important tools of the monetary policy used by the NBRM are the obligatory reserve and the open market operations such as auctions of treasury bills.

The circulation of bank and savings houses loans is controlled by a limitation on the MDen funds. However, the permanent orientation of the NBRM towards a wide use of market-oriented tools of monetary regulation has imposed the need to abandon this tool of monetary regulation in the course of 2000.

Question 16

A table in this section of WT/ACC/807/3 indicates that about half of government revenues are collected from excise and turnover taxes, with an additional 30 percents from income and profit taxes. “Duties” supply 2.3 percent of total revenues and that “Customs and special duties “ and additional 17.7 percent.

Are “duties” for the purpose of these table tariff revenues? If so, what are “customs and special duties”?

Answer:

In the table on page 4 of WT/ACC/807/3 where all budgetary revenues are listed, the term “duties” was used for “administrative fees”. Administrative fees consist of court, communal and other fees that are paid by legal entities and citizens for actions undertaken by different government bodies. This means that the 2.3 per cent revenue is not a tariff (custom) revenue.

(iii) Sales Tax on Goods

Question 17

Please list all products subject to excise taxes by HS96 number and the level of tax applied to domestic and to imported goods.

Answer:

Please refer to Question 18.

Question 18

Please provide in a table format, the precise excise rate applied to each good.

Answer:

A table of excise tax rates is indicated below. However, as stated in question 45, the excise tax will be reconciled with the value added tax.

| HS Number | Description of Product | Tax Applied |
|---------------|---|-------------|
| 0901 | Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion | |
| 0901 11 00 00 | Coffee, not roasted: Not decaffeinated | 80 den/kgr. |
| 0901 12 00 00 | Decaffeinated | 80 den/kgr. |
| 0901 21 00 00 | Coffee, roasted: Not decaffeinated | 85 den/kgr. |
| 0901 22 00 00 | Decaffeinated | 85 den/kgr. |
| 0901 90 00 00 | Other (Grained) | 90 den/kgr. |
| 2203 00 | Beer made from malt In containers holding 10 liters or less | 15 den/lit. |

| HS Number | Description of Product | Tax Applied |
|---------------|---|--|
| 2205 | Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances | 3 den on per cent of alcohol |
| 2206 00 | Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included | 3 den on per cent of alcohol |
| 2208 | Under-natured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol; spirits, liqueurs and other spirituous beverages | 3 den on per cent of alcohol |
| 2402 | Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes Imported | Imported 1,350 den/kgr. Domestic 40 per cent ad valorem |
| 2403 | Other manufactured tobacco and manufactured tobacco substitutes; 'homogenized' or 'reconstituted' tobacco; tobacco extracts and essences | Imported 1,350 den./kgr. Domestic 40 per cent ad valorem |
| 2710 00 00 12 | Other motor spirits : - With an octane number not exceeding 95 (MB 86) | 22,544 den/lit. |
| 2710 00 00 13 | - With an octane number exceeding 95 (MB 98) | 24,396 den/lit. |
| 2710 00 00 11 | Motor spirits, unleaded (BMB 95) | 21,692 den/lit. |
| 2710 00 00 31 | Diesel fuels (D1) | 12,121 den/lit. |
| 2710 00 00 32 | Ship and other fuels (D2) | 11,854 den/lit. |
| 2710 00 00 39 | Other fuels (EL) | 3,136 den/lit. |
| 2710 00 00 49 | With a sulphur content exceeding 2 per cent by weight | 0,10 den/lit. |
| 7113 | Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal - of precious metal whether or not plated or clad with precious metal | 15 per cent ad valorem |
| 7114 | Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal: - of precious metal whether or not plated or clad with precious metal | 50 per cent ad valorem |
| 7115 | Other articles of precious metal or of metal clad with precious metal | 50 per cent ad valorem |
| 8703 23 10 11 | -Motor cars for the transport of persons, assembled : | 25 per cent ad valorem |
| 8703 23 10 12 | With a built- in catalyser Others | 25 per cent ad valorem |

Question 19

Are the sales tax tariff and the excise tax synonymous, or are they two different taxes? In the later case please specify which tax applies to which product and the rate.

Answer:

The sales and excise tax are two different taxes. The sales tax on products and services is a general consumption tax. The excise tax introduced on 1 January, 1994 as a separate tax applies only to certain products. Products subject to excise tax are not taxed with the sales tax.

The sales tax is replaced by the VAT starting 1 April 2000.

The Ministry of Finance is in the process of preparing amendments to the Law on Excises in order to reconcile the excise tax with the VAT.

Please refer to Question 26.

Question 20

Please specify the exemptions from the sales tax tariff and the excise tax.

Answer:

List of goods and services exempt from the sales tax is given below. However, note that the sales tax is replaced by the value added tax as from 1 April 2000.

Goods:

- All types of bread;
- Milk (cow, sheep and goat milk) sold under that name in liquid, fresh, pasteurized, homogenized, condensed state, except yogurt, cream and chocolate milk, milk for babies, including baby food for infants made of milk, dairy products and products made of some milk ingredients;
- Oil for cooking (obtained from sunflower, soya-bean, olives, corn sprouts and other types of oil used for human nourishment) except margarine and butter;
- Cooking lard - produced from animals and plants used for human nourishment, such as: melted and pressed lard, melted tallow and fat, vegetable oil, or the like;
- Products exported abroad directly by legal entities and entrepreneurs for further sale, as well as products taken away or exported from the country by individuals, when written evidence is submitted on importation that products were Macedonian and sales taxes were paid;
- Products sold in duty free shops at border crossings, as well as pursuant to international agreement signed by the Republic of Macedonia (Article 25 to 30, excluding Article 28, paragraph 1, subparagraph 13 of the Customs Law exempt from customs duty;
- Goods sold by manufacturing or trading enterprises, that supply foreign diplomatic or consular missions, foreign diplomatic personnel and consular officials on the basis of a certificate issued by the Ministry of Finance, subject to reciprocity and compulsory issuance of a certificate (Article 6);
- Arms and equipment for the armed forces (Article 6).

Services:

- Services for granting credit to maintain bank liquidity: deposits on foreign exchange saving accounts: interest on legal entities' deposits with commercial banks, and interest on commercial banks' deposits with the National Bank of the Republic of Macedonia, interest resulting from debtor - creditor relationship;
- Life insurance: insurance whose beneficiary is foreign legal or natural person abroad: insurance of ships sailing in international waters, aircraft flying on international paths and additional insurance of road vehicles and driver's liability outside the borders of Macedonia;
- Transport of passengers and goods by railroad, city and long distance transport of passengers by buses, regular public lake traffic and internal traffic;
- Health services and welfare services;

- Services offered by the Red Cross of Macedonia in exercising the goals for which it is founded;
- Postal, telephone and telegraph services;
- Services in the field of culture, education and sports;
- Services performed by religious institutions;
- Geological exploration, research and development activities;
- Services for accommodation in children and youth hostels;
- Utility services and services for arranging settlements and areas;
- Services performed by natural persons for legal entities and entrepreneurs;
- Consideration for performed solicitor services;
- Transportation services in international traffic; and
- Services performed for foreign diplomatic and consular mission.

A list of products subject to excise tax is provided in the answer to Question 18. Nevertheless, the Ministry of Finance is in the process of preparing amendments to the Law on Excises in order to reconcile the excise tax with the VAT.

Question 21

Please describe the taxable base on which excise and / or sales tax are applied.

Answer:

Products

The tax base of sales tax on goods is the selling price of goods in which the sales tax on goods is not included. The selling price of goods deemed as a tax base for assessing sales tax represents the total gross amount paid to the supplier for purchased products, including all incidental expenses charged by the supplier to the purchaser.

Services

The tax base for sales tax on services is the estimated amount for the service rendered, paid in cash, in kind and returned favor. The sales tax on services is not incorporated in the tax base but is borne by the recipient of the service.

The excise duties are not incorporated in the tax base for the sales tax on goods and services. The Law states that excise duties shall not be paid on goods subject to sales tax.

Nevertheless, as indicated in Questions 19 and 20, since 1 April 2000 the sales tax is replaced by the VAT and the excise tax will be adjusted.

Question 22

Are banderoles applied to both imported and domestically produced goods.

Answer:

Banderoles are applied to both imported and domestically produced goods.

Question 23

Has the Assembly adopted the VAT Law? Can details of the new VAT arrangements be provided? It will assist the accession if the Republic of Macedonia could provide the working party with a copy of the Law on Value Added Tax.

Answer:

Please refer to Question 26.

Question 24

Did the Law on Value Added pass Macedonia's Parliament in May 1999, as foreseen in WT/ACC/807/3? If so, will it be implemented in 2000?

Answer:

Please refer to Question 26.

Question 25

What is the level of the VAT provided for in the new law?

Answer:

Please refer to Question 26.

Question 26

Please provide the detailed explanation of the VAT regime as foreseen by the draft law, including details on the rate of VAT, exemptions from VAT, application of VAT at origin or destination, point of collection of VAT for imported and domestically produced goods. Please update the Working Party on the status of the draft VAT Law. Please provide a copy of the draft VAT Law.

Answer:

The Law on Value Added Tax was adopted in 1999 (Official Gazette 44/99, 59/99). Originally, its implementation was scheduled as from 1 January 2000. However, due to the delay in the preparation of regulations, the implementation was postponed until 1 April 2000. The VAT replaces the sales tax. The general rate of VAT is 19 per cent and the reduced rate is 5 per cent.

The customs service collects the VAT at importation, while the VAT on domestic goods is collected by the Public Revenue Office. Taxpayers pay the tax on accounts that are prescribed by the Minister of Finance. The accounts are administered by the Payment Operations Service (POS is an institution that administers payment operations in the Republic of Macedonia). The POS has an obligation to transfer the paid amounts to the budget of the Republic of Macedonia within the prescribed time limits.

A list of products (in HS) subject to a reduced VAT rate of 5 per cent:

| HS Number | Description of the Product |
|---|--|
| From 0101 From 0102 – 0104 0105 From 0106 | Live animals, except wild animals: a) Horses, asses, mules and hinnies b) Bovine animals, swine, sheep and goats c) Live poultry d) Domestic rabbits, bees |
| Chapter 2 | Meat and other slaughtered edible products |
| From Chapter 3 | Fish, crustaceans, molluscs and other aquatic invertebrates, except ornamental fish |
| Chapter 4 | Milk and milk products; bird's eggs; natural honey; edible products of animal origin, not elsewhere specified or included |
| 0504 From 0506 | Other products of animal origin a) Guts, bladders and stomachs of animals, other than fish b) Non-processed bones |
| 0601 - 0602 | Live trees and other plants |
| Chapter 7 | Vegetables, roots and edible tubers |
| Chapter 8 | Edible fruit; peel of citrus fruit, melons or watermelons |
| Chapter 9 | Coffee, tea, mate and spices |
| Chapter 10 | Wheat |
| From 1101 - 1106 and 1108 | Products of the flour production industry and starches |
| Chapter 12 | Oil seeds and oleaginous fruits; various seeds, beans and fruits; industry and medicine plants, cereal straw and forage products |
| 1302 20 | Pectic substances, pectinates and pectates |
| From 1401 | Vegetable materials of a kind used primarily for plaiting, non-processed |
| From Chapter 15 | Edible fat and oils of animal and vegetable origin, as well as products of their decomposition; processed edible fats; raw beeswax |
| Chapter 16 | Meat products from fish, crustaceans, molluscs other aquatic invertebrates |
| Chapter 17 | Sugar and sugar products |
| 1805 and 1806 | Cocoa powder not containing sugar or other sweetening substances; chocolate and other food products containing cocoa |
| Chapter 19 | Food preparations of wheat, flour, starches or milk; confectionary products |
| From 2001 - 2008 | Vegetable and fruit products or products from other edible parts of plants, except juices from fruit and vegetables |
| Chapter 21 | Various food products |
| From 2201 | Water, except natural or artificial mineral water and aerated water in packages for consumption |
| 2209 | Vinegar and vinegar substitutes obtained from acetic acid |
| From 2301 - 2308 | Residues and waste from the food industry |
| From 2309 | Products for feeding animals, except food for dogs and cats and other domestic pets put up for retail sale |
| 2401 | Tobacco, raw and non-processed, tobacco refuse |
| 2501009100 | Salt suitable for human consumption |

| HS Number | Description of the Product |
|--|--|
| 2701 2702 2710 00 00 41 and 2710 00 00 49 2711 2716 ----- ----- | Mineral fuels, mineral oils and products from their distillation: a) Coal, briquettes and similar solid fuels manufactured from coal b) Dark coal and lignite, agglomerated or non-agglomerated excluding jet c) Fuel oils d) Petroleum gases and other gaseous hydrocarbons e) Electrical energy f) Heating g) Cooling |
| 2836 10 00 00 and 2836 30 00 00 | Commercial ammonium carbonate and other ammonium carbonates; sodium hydrogencarbonate (sodium bicarbonate) |
| 2905 44 00 00 3824 60 00 00 | D-glucitol (sorbitol) |
| 2915 21 00 00 | Acetic acid |
| 2925 11 00 00 | Saccharin and its salts |
| From 3003 and from 3004 | Human medicines |
| From 3101 | Animal or plant fertilizers, whether mixed or not, but not chemically processed; fertilizers obtained by mixing animal or plant products |
| From 3302 10 00 00 | Mixtures of odoriferous substances and mixtures with a basis of one or more of these substances, prepared for a retail sale |
| From 3304 91 00 00 From 3304 99 00 00 From 3305 10 00 00 From 3306 10 00 00 From 3307 30 00 00 From 3401 11 00 00 From 3401 19 00 00 From 3402 20 90 00 | Products for body care including washing preparations: a) Powder for baby skin care b) Cream, milk and oil for baby skin care c) Shampoo (except for pets) d) Dentifrices e) Baths (except for pets) f) Toilet soap g) Washing soap h) Detergent for laundry and dishwashing |
| From 3503 00 10 00 | Gelatin |
| From 4014 10 00 00 | Preservatives and other products for contraception |
| From 4401 10 00 00 4401 30 4402 | Fuel wood and charcoal a) Fuel wood in logs, in billets, in twigs, in faggots or in similar forms b) Sawdust, wood waste and scrap whether or not agglomerated in briquettes, pellets or in similar forms c) Charcoal (including shell or nut charcoal) whether or not agglomerated |
| From 4818 40 00 00 | Sanitary towels |

| HS Number | Description of the Product |
|--|--|
| From 4901 From 4902 From 4903 From 4905 | Books, newspapers and other products of the graphic industry, except printed materials for advertising purposes and printed materials with a pornographic content: a) printed books, brochures and similar printed matters, whether or not in single sheets b) Newspapers, journals and periodicals whether or not illustrated or containing advertising material c) Children's picture, drawing or coloring books d) Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed The evaluation whether the printed matters contain pornography is made and issued by the Ministry of Culture. |
| 5101 11 00 00 and 5101 19 00 00 | Wool, non-processed |
| 8713 | Invalid carriages whether or not motorized or otherwise mechanically propelled |
| 9021 | Orthopaedic appliances, including crutches, surgical belts and trusses; splints and other fracture appliances; artificial parts of the body, hearing aids and other appliances which are worn or carried or implanted in the body to compensate for a defect or disability |

A list of services subject to a reduced VAT rate of 5 per cent:

| |
|---|
| Transport of people: - transport of their luggage |
| Dispatch of waste: - selection, - collection - transportation - processing - dumping of waste from the population and industry |
| Maintenance of public cleanness: - public roads - streets - squares - children's playgrounds - public pedestrian trims - areas - channels - embankments - cleaning of snow |
| Services rendered by lawyers, notaries, accountants and auditors: - Services rendered by lawyers, notaries, accountants and auditors shall be all services typical for the appropriate profession performed by these persons, associations of citizens and companies - Services of lawyers, typical for the profession according to the Law on the Bar - Services of notaries, typical for the profession according to the Law on Notary - Services of accountants, typical for the profession according to the Law on Accounting - Services of auditors, typical for the profession according to the Law on Audit |

The Law on Value Added Tax is available in the WTO Secretariat, Accession Division, Office No. 1126 for examination by the Working Party members.

(iv) **Profit Tax**

Question 27

Please provide more information to the Working Party on tax breaks for the protection of environment and nature. How are such protective measures defined and how are they applied?

Answer:

The Law on Profit Tax (published in the Official Gazette no. 80/93, 33/95, 43/95, 71/96, 5/97-corr., 28/98) provides for tax breaks for the protection of environment and nature.

Article 30 reads:

“Taxpayers shall be entitled to accelerated depreciation of fixed assets in cases of technological renovation and structural adaptation, not exceeding 25 per cent of the replacement, calculated in accordance with Article 15 of this Law.

As an exception to paragraph 1 of this Article, taxpayers shall be entitled to accelerated depreciation of assets used for protection of the environment and nature.

Taxpayers shall realize the rights provided for in paragraphs 1 and 2 of this Article by filing a written request with the Public Revenue Office on the basis of appropriate documentation.”

Article 35 reads:

“The amount of the profit that a taxpayer has invested in the protection of the environment and nature shall be deducted from the tax base [tax base is the amount subject to taxation].”

(c) **Foreign exchange and payment system, relations with the International Monetary Fund, application of foreign exchange controls**

Question 28

Is the government considering changes to the exchange rate or the foreign exchange regime?

Answer:

The exchange rate is freely determined at the foreign exchange market. The National Bank can buy or sell foreign currency in order to maintain a balance at the foreign exchange market.

The current policy of pegging the MDen to the German Mark has shown good results in stabilizing the economy and the Government of the Republic of Macedonia is determined to continue this policy.

Question 29

Please confirm that Macedonia maintains current account convertibility of its currency

Answer:

The Republic of Macedonia maintains current account convertibility of its currency as provided under Article VIII of the IMF Articles of Agreement on 19 June 1998.

Question 30

Can domestic and foreign individuals and firms hold foreign exchange accounts? Are traders required to convert foreign exchange accounts?

Answer:

Domestic and foreign individuals and firms can hold foreign exchange accounts with only one exception: domestic companies that receive foreign currency payments upon exporting are obliged to convert the foreign currency into MDen at the foreign exchange market after the expiration of ninety days.

Question 31

Are there any restrictions or requirements on payments or remittance of profits in foreign currency?

Answer:

Foreign investors can transfer their profits abroad in foreign currency without limitations.

For domestic commercial entities please refer to Question 30.

Question 32

Are their limitations or restrictions on foreign accounts for business or private citizens?

Answer:

Please refer to Question 30.

Question 33

Under which circumstances can foreign accounts be frozen? Is a judicial order necessary ? If yes, please describe the conditions for an appeal against such an order.

Answer:

Domestic and foreign entities have equal treatment when opening and operating a bank account.

Article 190 of the Law on Executive Procedure determines that a lower court in the location of the payment operation is authorized to make a decision on any request for enforcement over monetary assets kept on the debtor's account with the bearer of payment operations (blocked account).

A remonstrance may be filed against the decision for enforcement, upon which, the judge that made the enforcement decision shall make a ruling. The ruling may be appealed before the appellate court.

Question 34

Please describe to the Working Party in detail the rights and obligations of domestic companies in regard to holding and using foreign currency. In particular, do these companies have to surrender part of their earnings to public authorities or to the Central Bank?

Answer:

Please refer to Question 30.

Question 35

Please detail your commercial credit program and give the reasons behind the rules which state that domestic companies may give commercial credits to companies abroad only up to 90 days and that domestic companies may receive commercial credits from companies abroad only up to 180 days.

Answer:

According to the Law on Foreign Exchange Operations domestic companies are obliged to perform current payments abroad within ninety days and to receive current payments from abroad within one hundred and eighty days. Monetary transactions performed within a longer period of time are considered as credit transactions and have to be registered. The registration is required in order to keep record of financial commercial credits.

Question 36

Please describe in detail to the Working Party the rights and obligations of residents to engage in the different kinds of capital operations with operations abroad (examples include: foreign direct investment, acquiring or selling securities from or to abroad,. Granting or receiving financial loans to or from abroad, engaging in deposit accounts abroad).

Answer:

Domestic natural persons may maintain accounts abroad during their residence abroad.

Upon an approval of the NBRM, domestic legal entities may maintain accounts abroad for the realization of the following activities:

- investment activities abroad;
- operation of a representative office or a business unit of a domestic legal entity abroad;
- coverage of costs of companies providing services for international traffic of goods and passengers, insurance, and scientific activities.

Domestic legal entities may freely establish or invest in foreign companies abroad after prior registration of such activities with the Ministry of Trade.

Pursuant to the Law on Foreign Credit Relations (Official Gazette of the Republic of Macedonia no. 31/93), residents may obtain foreign loans. These foreign loans may be used for the following purposes:

- to implement export-oriented investment projects;
- to import equipment, fuels and electric power, and raw materials to be used in an export-oriented production;
- to import goods of vital importance for the population; and
- to purchase agricultural products aimed for exports.

Domestic banks may use short-term loans to overcome periodical inconsistencies between the foreign currency inflow and outflow.

Domestic legal entities and banks may grant loans to foreign persons for the following purposes:

- to promote exports of domestic products; and
- to develop commercial relations with foreign countries.

(d) Foreign and domestic investment policies

Question 37

Macedonia states in WT/ACC/807/3 that in 1997, the total value of foreign direct investments was 30.902.000 US\$, of which EFTA countries participated with 54.0 percent, and the EU countries participated with 36,3 percent.

Please indicate the top individual countries participating in direct investments in Macedonia in 1997 or a more recent year.

Answer:

The table shown below indicates the foreign direct investments in the Republic of Macedonia in the year 1998.

Foreign Direct Investments in the Republic of Macedonia for 1998
Report of the Statistics Bureau of the Republic of Macedonia

| Country | Number of deals | Participation (in %) | Value (in thousands of US\$) | Value (in %) |
|------------------------|-----------------|-------------------------|---------------------------------|-----------------|
| Total | 122 | 100.0 | 112,308 | 100.0 |
| Cyprus | 2 | 1.6 | 62,170 | 55.4 |
| European Union | 57 | 46.7 | 21,879 | 19.5 |
| Austria | 9 | 7.4 | 8,332 | 7.4 |
| Netherlands | 7 | 5.7 | 4,529 | 4.0 |
| Greece | 18 | 14.9 | 3,539 | 3.2 |
| Luxemburg | 1 | 0.8 | 1,837 | 1.6 |
| Germany | 10 | 8.2 | 1,487 | 1.3 |
| Italy | 4 | 3.3 | 1,434 | 1.3 |
| Great Britain | 5 | 4.1 | 471 | 0.4 |
| France | 2 | 1.6 | 228 | 0.2 |
| Denmark | 1 | 0.8 | 22 | 0.0 |
| Liechtenstein | 3 | 2.4 | 20,313 | 18.1 |
| USA | 4 | 3.3 | 3,369 | 3.0 |
| Croatia | 6 | 4.9 | 1,197 | 1.1 |
| Slovenia | 11 | 9.1 | 597 | 0.5 |
| Bosnia and Herzegovina | 1 | 0.8 | 570 | 0.5 |

| Country | Number of deals | Participation (in %) | Value (in thousands of US\$) | Value (in %) |
|-----------------------|-----------------|-------------------------|---------------------------------|-----------------|
| Turkey | 4 | 3.3 | 503 | 0.4 |
| Switzerland | 6 | 4.9 | 435 | 0.4 |
| Bulgaria | 5 | 4.1 | 129 | 0.4 |
| FR Yugoslavia | 14 | 11.5 | 476 | 0.4 |
| Israel | 1 | 0.8 | 166 | 0.1 |
| Australia | 5 | 4.1 | 129 | 0.1 |
| The Czech Republic | 1 | 0.8 | 6 | 0.0 |
| Poland | 1 | 0.8 | 3 | 0.0 |
| Nigeria | 1 | 0.8 | 1 | 0.0 |

(e) Competition policies

Question 38

Does Macedonia have any intention to introduce new law and regulations relating to competition that replaces the Law on Trading and the Law on Foreign Trade Operations?

Answer:

The Law Against Limiting the Competition and the Law Against Unfair Competition were adopted by the Parliament in December 1999 (Official Gazette 80/99). The Law Against Limiting the Competition is implemented as of 1 April 2000.

Copies of these two Laws will be available as part of Annex 2 for examination by the Working Party members.

Question 39

Please provide more details on the measures that may be undertaken by the Government to protect firms against market disturbances.

Answer:

Please refer to Question 135.

Question 40

Please provide an update to the Working Party of the status of the Commission for the protection against monopolistic practices.

Answer:

The Law Against Limiting the Competition provides for establishment of a Competition Committee and a Competition Administration as an administrative body within the Ministry of Trade. The competencies of these two entities are regulated in the Law. They have been established and started to function since April 2000.

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES

1. Powers of Executive, Legislative and Judicial Branches of Government

Question 41

Please, specify how the Parliament proceeds to the authentic interpretation of Laws and how this activity is consistent with the independence of the judiciary.

Answer:

According to Article 68 of the Constitution of the Republic of Macedonia, the Parliament of the Republic of Macedonia, as a legislative body, gives authentic interpretation of laws. This constitutional provision is implemented in Article 391 to 393 of the Rules of Procedure of the Parliament of the Republic of Macedonia. According to these provisions, a request for an authentic interpretation of a law could be submitted by any member of the Parliament, the Government of the Republic of Macedonia, a government official administering a State administrative body, the Constitutional Court of Macedonia, the Supreme Court of the Republic of Macedonia, the Public Prosecutor of the Republic of Macedonia, other State bodies, councils of the municipalities, trading companies and enterprises, as well as other organs and institutions. The request for an authentic interpretation should be elaborated. The request for an authentic interpretation is submitted to the President of the Parliament, who conveys it to the Legislative Committee. Following the request for an authentic interpretation of the law, the Legislative Committee can ask for an opinion from the Parliament committees in charge of the law, the interpretation of which is requested. If the Legislative committee considers the request justified, it elaborates a draft authentic interpretation and presents it to the Parliament of the Republic of Macedonia. If, according to the opinion of the Legislative Committee, the request for an authentic interpretation is not justified, the Committee submits a report to the Parliament, which decides upon the request and the submitted report. The decision of the Parliament is communicated to the requesting party.

2. Government Entities Responsible for Making and Implementing Policies Affecting Foreign Trade

Question 42

Regarding the appeals process for custom, investment, import licensing requirements, pre shipment inspection and other issues covered by the WTO Agreement, are foreigners granted a right to appeal to an independent tribunal, whether judicial or arbitrary, in a non-discriminatory manner? (Article X of the 1994 GATT)

Answer:

A right to appeal is a right guaranteed by the Constitution. According to Article 15 of the Constitution of the Republic of Macedonia, a right to appeal against individual legal acts brought in a court or an administrative procedure is guaranteed. This constitutional principle is implemented in the Law on Criminal Procedure, the Law on Civil Procedure and the Law on Administrative Procedure.

Domestic and foreign parties benefit from the same treatment in the appeal procedure. The Law on Administrative Disputes provides for initiating an administrative dispute before the Supreme Court as an independent tribunal by filing a complaint against a second degree decision in an administrative procedure.

Question 43

What process will be needed to complete national procedures relating to WTO accession?

Answer:

Once negotiations for the accession of the Republic of Macedonia to the WTO are formally completed, the Ministry of Trade in cooperation with the Ministry of Foreign Affairs prepares a Draft Law for Ratification of the Marrakesh Agreement Establishing the World Trade Organization (including Annexes 1, 2 and 3) and submits it to the Government of the Republic of Macedonia. The Government, after reviewing the Draft Law, submits it to the Assembly for ratification. After the adoption of the Law for Ratification, the President of the Republic of Macedonia signs a Proclamation for the Law, upon which it is published in the Official Gazette of the Republic of Macedonia. Following the publishing, the Ministry of Foreign Affairs shall prepare an instrument on accession in compliance with Article 12 (a) of the Agreement Establishing the World Trade Organization.

The procedure for ratification of international agreements lasts approximately two months.

3. Division of Authority Between Central and Sub-central Governments

Question 44

In WT/ACC/07/2, Macedonia stated that local governments have no direct role in the field of foreign trade operation or in the field of creation of foreign economic relation, and that the authority in this sphere is assigned to the central government of Macedonia.

Do localities have any authority in the area of tax application to imports, subsidies or investments?

Answer:

Localities have no authority in the area of tax application to imports, subsidies and investments.

4. Any Legislative Plans to Change the Regulatory Regime

Question 45

Macedonia indicates in WT/ACC/807/3, section III:4 that its Working Program for 1999 foresees submission to the Assembly of the following draft laws for adoption :

- Law on Trade
- Law Against Unfair Competition
- Law Against Limiting of the Competition
- Law on Foreign Exchange Operation
- Law on Excises
- Law on Value Added Tax
- Law on Consumer Protection

Please provide an update on the status of these laws. How many have been submitted for consideration.

Answer:

The Law on Trade (Official Gazette 23/95, 30/95, 43/95,23/99, 43/99) was amended in spring 1999. An English translation of the amendments is submitted to the WTO Secretariat.

The Law Against Limiting the Competition and the Law Against Unfair Competition were adopted in December 1999 (Official Gazette 80/99). Copies of these two Laws will be available as part of Annex 2 for examination by the Working Party members.

A draft of the new Law on Foreign Exchange Operations is being prepared by the Ministry of Finance. It is expected that a draft law will be submitted to the Parliament for its consideration in the first semester of 2000. A copy of the Law on Foreign Exchange Operations in force (Official Gazette 30/93, 40/96) will be available as part of Annex 2.

The Ministry of Finance is in the process of preparing amendments to the Law on Excises in order to reconcile the excise tax with the value added tax.

The Law on Value Added Tax was adopted by the Parliament in July 1999 (Official Gazette 44/99). A copy of the Law will be available as part of Annex 2.

The Law on Consumer Protection is in the initial stage of enactment. A copy of the draft Law is submitted to the WTO Secretariat.

Question 46

Please submit these drafts for Working Party review prior to the first Working Party meeting.

Answer:

Please refer to Question 45 and Annex 2.

5. Laws and Legal Acts

Question 47

In order to fulfill the transparency requirements, including Article X of the GATT 1994 and Article 3 of the GATS, a reasonable interval between the enactment and the implementation of the rules and regulations should be secured. Macedonia's relevant regulations for transparency purposes should also be informed.

Answer:

Pursuant to Article 52 of the Constitution of the Republic of Macedonia, laws and other regulations are published before they enter into force.

Laws and other regulations are published in the Official Gazette of the Republic of Macedonia, not later than seven days of the day of their enactment.

Laws enter into force at the earliest on the eighth day of the day of their publication, or by exception, which is determined by the Parliament, on the day of their publication.

Article 52 of the Constitution of the Republic of Macedonia reads:

“Laws and other regulations may not have a retroactive effect, except in cases when this is more favorable for the citizens.”

The Parliament of the Republic of Macedonia enacted the Law on Publishing Laws and Other Regulations and Acts in the Official Gazette of the Republic of Macedonia (published in the Official Gazette no.56/99). Article 3 of the Law provides for the publication of the following acts in the Official Gazette of the Republic of Macedonia:

1. “The Constitution of the Republic of Macedonia, laws, authentic interpretation of laws, updated texts of laws determined by the Legislative Commission of the Parliament of the Republic of Macedonia, the budget of the Republic of Macedonia and the final account of the budget, the territorial plan of the Republic, international agreements, the Rules of Procedure of the Parliament of the Republic of Macedonia, decisions, declarations, resolutions, recommendations of the Parliament of the Republic of Macedonia, conclusions and other acts of the Parliament of the Republic of Macedonia for which it will determine to be published in the Official Gazette of the Republic of Macedonia.
2. The promulgation of declaring laws, promulgation for appointment and recall of ambassadors and delegates of the Republic of Macedonia abroad and of other persons determined by law, acts for the appointment and discharge of holders of state and public offices determined by the Constitution and by law, as well as other documents passed by the President of the Republic for which it has been defined by law and the documents for which the President of the Republic decides to be published in the Official Gazette of the Republic of Macedonia.
3. Bylaws, decisions, instructions, and the Rules of Procedure for the work of the Government of the Republic of Macedonia, and other documents and conclusions of the Government of the Republic of Macedonia for which it shall decide to be published in the Official Gazette of the Republic of Macedonia.
4. Regulations, orders, instructions, and other documents determined by law to be passed by the ministers, administration officials in charge of other administration bodies and organizations determined by law upon an authorization provided by law, as well as other documents for which they will decide to be published in the Official Gazette of the Republic of Macedonia.
5. Decisions and other documents of the Constitutional Court of the Republic of Macedonia and the documents of judicial organs for which it has been determined by law.
6. Regulations of the National Bank of the Republic of Macedonia and other legal persons, when they determine matters of public interest in the field of their activity on the basis of authorizations established by law.
7. Collective agreements [agreements concluded by the Government, the unions, as representatives of the employees and an organization of employers which regulate labour issues].
8. Acts of funds and bureaus [such as the Pension Fund, the Health Security Fund, the Employment Bureau].
9. Corrections of laws and other regulations.

Question 48

Macedonia states in WT/ACC/807/3/section III:5 that it is providing a list of “positive legislation”.

What is meant by ”positive legislation”?

Answer:

The term positive legislation covers all legislation in force in the Republic of Macedonia.

Question 49

Macedonia has made available the following in WT/ACC/807/3/Add.1:

- Trade Law (published in the Official Gazette of the Republic of Macedonia No.31/95-523);
- Customs Tariff Law of 15 August 1996;
- Customs Law (1993);
- Foreign Trade Law (published in the Official Gazette of the Republic of Macedonia No.31/93-716);

In WT/ACC/807/3, section III.5, however , the following are listed:

- Law on Trade (“Official Gazette” no. 23/95, 30/95 and 43/95)
- Customs Tariffs Law (“Official Gazette” no. 38/96, 45/97, 54/97, 61/97 and 26/98)
- Law on Customs (“Official Gazette“ no. 20/93 and 63/98)
- Customs Law (“Official Gazette “ no. 21/98, 26/98 and 63/98)
- Law and Foreign Trade (“Official Gazette” no. 31/93, 41/93, 78/93, 56/96, 15/97 and 13/98)

Please confirm that the documents made available in 807.3./Add. 1 comprehensively cover all the materials listed for those laws in 807/3, section III: 5. If they do not, please augment the texts circulated in 807/3/add.1.

Answer:

Please refer to Question 50.

Question 50

Please provide copies of the following laws, prior to the first meeting of the Working Party, to the Secretariat for review by Working Party members:

As listed in section III:5 of 807/3:

- New Customs Valuation Law and implementing regulation
- Copyrights Law (“Official Gazette” no. 47/96 and 3/98)
- Law on Market Inspection (“Official Gazette” no. 35/97)
- Law on Special Duties on Import of Agricultural and Feeding Products in the Foreign Trade (“Official Gazette” no. 2/94)

- **Law on Quality Control of Agricultural and Feeding Products in the Foreign Trade (“Official Gazette” no. 5/98)**
- **Decision-act for Dividing of the Goods in Forms of Import and Export (and list of goods) in the Field of Foreign Trade (“Official Gazette” no. 39/96, 64/96, 66/96, 67/96,45/97,54/97, 66/97, 20/98 and 26/98)**
- **Decision-act for Determining Special Taxes on Import of Certain Agriculture or Food Products (“Official Gazette” no. 66/97)**

As referred to in the text of WT/ACC/807/2 and 3:

- **Law on Safety Stocks;**
- **Law on Public Procurements;**
- **Law on the Protections of Topography of Integrated Circuits;**
- **Law on Trading Companies and Law on Trading;**
- **Law on Foreign Trade Operations;**
- **Criminal Code of the Republic of Macedonia (section related to IPR, e.g., penalties);**
- **Act of Industrial Property;**
- **Regulation for Procedure of Recognition of Trademark;**
- **Act of Industrial Property,**
- **Regulation for Procedure of Recognition for the Patent.**

Answer:

All relevant existing and draft legislation on issues covered by the WTO listed in WT/ACC/807/2, WT/ACC/807/3 and WT/ACC/807/4 was or is being translated into English and copies were and will be provided to the WTO Secretariat for Working Party review. See Annex 2.

Question 51

Macedonia cites Official Gazette publication for several of the laws listed in this section.

What is the significance of this reference? Please confirm that these are the issues of the Official Gazette where the laws were published for comment.

Answer:

Draft laws are not published. However, laws are published in the Official Gazette following their adoption in the Parliament.

For more information please refer to Question 47.

Question 52

Please confirm that all laws, decisions, regulations and other legal instruments relevant to issues covered by WTO Agreements are required to be published prior to implementation in accordance with Article X of the GATT, and the other transparency provision of the WTO, e.g., in the GATS and the WTO Agreements on Import Licensing Procedures, Customs Valuation, TBT, SPS, etc.?

Answer:

Please refer to Question 47.

6. Description of Judicial and Arbitral or Administrative Tribunals or Procedure

Question 53

Please describe in more detail the structure of the juridical power (e.g. do administrative and commercial court exist, what are their competencies, are there any limitations on foreigners seeking redress by a court, which court is competent for commercial cases, which for insolvency, describe the system of appeal, who appoints the judges, how is their independence protected).

Answer:

According to Article 8 of the Constitution, the state power is divided into legislative, executive and judicial power. The basis of the judicial system is established in the Constitution by the provisions contained in Articles 98-108. The courts execute the judicial power in the Republic of Macedonia. The courts are autonomous and independent. They judge on the basis of the Constitution, laws and international agreements ratified in accordance with the Constitution. The types of courts, their competencies, foundation, termination, organization and composition, as well as the court procedure are regulated by a law adopted by a two-third majority of votes of the total number of Parliament members.

On the basis of this constitutional provision, the Law on Courts enacted in 1995 (Official Gazette no. 36/95, 45/95, Constitutional Court Decision U.no.313/95-Off.Gaz.no.40/96, CCD U.no.20/96-Off.Gaz.no.60/96) elaborates in detail the constitutional provisions on the judiciary. The Law establishes objectives and functions of the judiciary, which comprise of: a) impartial enforcement of the law regardless of the situation and the capacity of the client; b) promotion, within the framework of the judicial function, of the protection and respect of human rights and freedoms and c) legal security and creation of conditions for everyone to live safely in the framework of the enforcement of the law. As far as the competencies of courts are concerned, the law determines that courts rule through a legally prescribed procedure on: rights of the citizens and their legally based interests; disputes between the citizens and other legal entities; punitive actions and other matters which are legally under the jurisdiction of courts.

According to the Law on Courts, lower courts are competent to:

- decide in the first instance on issues under court jurisdiction, except on matters which shall be entrusted to the authority of another court;
- decide in the first instance on non-contentious matters, enforcement and security and certification of deeds and registrations, if the authority is not entrusted to other bodies or institutions by law;
- decide in the first instance on violations, if it is not determined by law that other bodies may decide on certain forms of violations (customs, foreign exchange regulations, foreign trade and tax);
- decide in the first instance and execute matters in a criminal procedure for criminal actions for which a penalty of imprisonment of 10 years is prescribed;
- decide in commercial offences, property and other civil disputes in which the municipalities, the City of Skopje or the Republic of Macedonia, the enterprises and other legal entities, shop proprietors and other individuals performing registered commercial activities appear as parties; disputes between domestic legal entities and foreign natural persons and between foreign natural persons and legal entities;

- bankruptcy proceedings, mandatory settlement and liquidation and disputes that would arise herewith; disputes on statutory changes (division, merger, incorporation and organization), and enforcement of the decisions of these courts;
- decide on the legality of an individual act in administrative dispute, for the protection against illegal activities, for recognition and enforcement of decisions of foreign courts, as well as executing tasks of international legal assistance unless the competence of another body is otherwise determined.

Appellate courts are competent to:

- decide upon appeals against decisions of lower courts;
- decide on collision of competencies between lower courts under their territorial jurisdiction;
- perform other matters determined by law.

The Supreme Court is competent to:

- decide in the second instance against decisions of its own councils when determined by law;
- decide in the third and final instance on appeals against decisions of appellate courts and decisions of the Supreme Court councils reached in a second instance procedure, when determined by law;
- decide in the first and second instance on administrative disputes when determined by law and on final decisions reached in a misdemeanor procedure;
- decide on extraordinary legal remedies against final decisions of courts and decisions of its councils when determined by law;
- decide on collision of competencies between lower courts from the territory of different appellate courts, appellate and lower courts, two appellate courts and decide on the transmission of the regional competence with these courts; and
- performs other matters determined by law.

The Supreme Court of the Republic of Macedonia decides on legal remedies in a council composed of five judges, unless otherwise determined by another law.

The current organization of the judicial power in the Republic of Macedonia does not provide for specialized courts - administrative or commercial.

Twenty seven lower courts, three appellate courts and the Supreme Court of the Republic of Macedonia enforce the judiciary power in the Republic of Macedonia. In the period from 1995 until 1997, judges in all courts were elected, and courts began to function on the basis of the provisions of the new Law on Courts.

The Law on Courts contains numerous provisions that guarantee the independence of the judiciary. Courts make decisions on the basis of the Constitution, applicable laws and international agreements ratified according to the Constitution. In the application of a law, the judges are not bound by a legal opinion of a higher court. Judges take impartial decisions on the basis of their free judgment of the evidence and application of the law. When deciding, judges may not be limited, influenced, encouraged, pressured, threatened or interfered directly or indirectly by any subject or for any reason. A re-examination of court decisions or a change of the composition of the court in order to influence decisions of the court is not allowed neither by law nor by a regulation of the executive power. Each body is obligated to refrain from performing or not performing an action which obstructs making or enforcing court decisions.

The independence of the judiciary is provided for by the provisions in the Law on Courts that determine the inviolable effect of an irrevocable court decision and by the provision according to which a court decision can be changed or abolished only by a competent court and in a procedure regulated by the respective law.

According to the Constitution and the Law on Courts, judges are elected without limitations to the duration of the mandate. Judges are elected and discharged from duty by the Parliament of the Republic of Macedonia upon a proposal of the Republic Court Council. The Republic Court Council is a body initially introduced by the Constitution of the Republic of Macedonia of 1991. According to Article 104 of the Constitution, the Republic Court Council is composed of 7 members elected by the Parliament of the Republic of Macedonia from the rank of eminent lawyers.

The Republic Court Council submits proposals to the Parliament on the elections and discharge of judges, decides on their discipline and responsibility, estimates their expertise and conscientiousness in accomplishing their function. The Council submits proposals for the nomination of two judges of the Constitutional Court of the Republic of Macedonia. The establishment of this body, guarantees the independent position of judges, because it has become possible for the experts and not the political bodies to make estimations in the most sensitive area (the election and the discharge of the judges).

The judicial function is incompatible with any other public office or profession or a membership in a political party. Judges may establish associations for protection of their interests, promotion of the professional improvement and protection of the independence and autonomy of the judicial function.

Judges enjoy immunity. The Parliament of the Republic of Macedonia decides upon their immunity. A judge and a jury judge cannot be held responsible for an opinion expressed in the decision making. A judge cannot be detained without an approval given by the Parliament of the Republic of Macedonia, except if he/she is caught in executing a criminal deed for which a punishment of at least 5 years of prison is foreseen. The procedure for deciding upon the immunity of the judges is expeditious and takes place after an opinion from the Republic Court Council has been obtained.

Judges are discharged in cases determined by the Constitution and in a procedure determined by law. According to the Constitution, judges can be discharged: a) upon their request; b) if they permanently lose the ability to perform the judicial duties, to be determined by the Republic Court Council; c) if they fulfill the conditions for a full retirement; d) if they are convicted of a criminal deed on an unconditional punishment of imprisonment of at least six months; e) because of a serious disciplinary infraction prescribed by law, which makes them unsuitable for performing the judicial duties, to be determined by the Republic Court Council, and f) because of non-professional and unconscientious performing of the judicial duties to be determined by the Republic Court Council in a procedure provided by law. More serious disciplinary infractions which makes judges unsuitable for performing judicial duties, and due to which they could be discharged shall be considered the following: 1) a serious infraction of the public order which slanders their reputation and the reputation of the court; 2) party and political activities; 3) serving a public office or profession; 4) causing a serious infraction of the relations in the court, that have a significant influence on the performing of judicial duties, and 5) a serious infraction of the rights of the parties and the other participants in the procedure which slanders the reputation of the court and the judicial function.

An important step in the promotion of independence of the judiciary in the Republic of Macedonia is the preparation of the Law on Salaries of Judges and the establishment of an independent court budget.

Question 54

Please describe, and provide legal citations for, Macedonia's procedures for (a) administrative appeal of customs and other government decisions on issues covered by WTO Agreements (e.g., Article X of GATT, Customs Valuation, Import Licensing Procedures, TBT, SPS, TRIPS, etc.), and (b) appeal to an independent tribunal.

Answer:

An administrative appeal on customs and other government decisions on issues covered by the WTO Agreements, such as import licensing, TBT, SPS, TRIPS and other procedures conducted by ministries and government agencies is conducted under general rules for appeal in the administrative procedure and are provided in the Law on Administrative Procedure (Official Gazette of SFRJ 47/86).

The second instance procedure is conducted by a Second Instance Government Committee. The Rules of Procedure of the Government provide for different committees established by the Government. According to Article 58 of the Rules:

“For deciding in the administrative procedure in the second instance, the Government shall constitute the following committees:

1. A committee for deciding on administrative cases in the second instance in areas of defense, internal affairs, judiciary, administration and religious issues.
2. A committee for deciding on administrative cases in the second instance in areas of commerce and trade.
3. A committee for deciding on administrative cases in the second instance in areas of construction and urban planning.
4. A committee for deciding on administrative cases in the second instance in areas of traffic, connections and environment.
5. A committee for deciding on administrative case in the second instance in areas of education, science, culture, sports, archiving, informing and health and welfare protection.
6. A committee for deciding on administrative cases in the second instance in areas of agriculture, forestry, waterworks and veterinary practice.
7. A committee for deciding on administrative cases in the second instance in areas of measures, cadastre and recording liens on real property.
8. A committee for deciding on administrative cases in the second instance in areas of property issues and granting construction land.
9. A committee for deciding on administrative cases in the second instance in the area of hazard games and slot machines games.
10. A committee for deciding on administrative cases in the second instance in the area of pension and disability insurance.”

The Law on Administrative Disputes (Official Gazette of SFRJ 4/77, 36/77) provides for a procedure before the Supreme Court as an independent tribunal. Under the provisions of this Law, an unsatisfied party may file a complaint against the second instance administrative decision within thirty days from the day of delivery of the decision. The decision of the Supreme Court is final and binding.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import Regulation

(a) Registration requirements for engaging in importing

Question 55

Are there any restrictions contained in the Law on Foreign Trade Operations or elsewhere that limit the right of individuals or enterprises to engage in the importation or exportation of goods or services.

Answer:

The Law on Trade Companies (published in Official Gazette no.28/96, 7/97, 21/98, 37/98, 63/98, 39/99) provides for the following types of trading companies: general partnership, limited partnership, limited liability company, joint stock company and limited partnership by shares and a sole proprietor. A trading company is an entity established by two or more founders, while a sole proprietorship is a form that entitles natural persons to enter into commerce.

In order to start operations, both the trading company and the sole proprietor must be registered in the Trade Registry established in one of the three lower courts according to their territorial jurisdiction.

The application submitted for registration of a trading company comprise of information on the name of the company, the head office address, the scope of activities, the export-import activities, the extent of liabilities and the director of the company. Each detail is entered on a separate form.

A company can perform, domestically and internationally only the activities registered in the court. If a company is initially registered for performing activities within the country borders, the export and import activities can be registered additionally. This procedure is not complicated.

Under the Macedonian legal system there are two ways for foreigners to perform business activities.

1. Companies and sole proprietors registered with the authorities of a foreign country may conduct business by registering a branch office of the company or the sole proprietor in the Republic of Macedonia.
2. Foreign companies, sole proprietors and natural persons may perform commercial activities through registering a company or a sole proprietorship with the Macedonian authorities. The registered entity may be established with entirely foreign capital or can have a mixed ownership structure. In any case, such an entity shall be considered a Macedonian entity (a company or a sole proprietor).

Domestic sole proprietors are not allowed to register and perform export and import activities. It can be explained by the nature of the sole proprietorship where the Law on Trade Companies provides for limited scope of business activities that are related and create a profession. However, the Law on Foreign Trade stipulates that domestic natural persons who have not registered a company, a shop or an agricultural business may, within the boundaries of the registered activity, engage in foreign trade for their own purposes (export of their own products and services, import for the purposes of their own production and services, and for the purposes of investment activities cooperation) without registering an export and import activity in the trade registry.

As mentioned under 1, foreign sole proprietors may conduct business in the Republic of Macedonia through a branch office registered in a Macedonian court.

The court procedure for registration is the same for domestic and foreign companies and consists of the following two stages: a) submission of an application for the foundation of a company or an application for additional changes in the status of an already registered company, and b) the court issues a decision for registration of the company. The application for registration may be rejected only when legal requirements set in the Law on Trade Companies are not satisfied.

In addition, companies established with more than fifty per cent of foreign capital have to initiate a procedure for registration of the foreign investment in the Registry of Foreign Investments established within the Ministry of Trade prior to the court procedure.

Currently, due to the lack of modern equipment, courts are burdened with cases and the registration procedure takes four weeks. Once courts are computerized (through EU PHARE and World Bank assistance) the registration procedure is expected to take approximately two weeks. The fee paid to the court and other administrative bodies for a registration of a company is approximately US\$150.

When a company has the import and export activities registered in a court, it registers in the Customs Registry within the Customs Department to obtain a Unique Customs Number. This procedure takes a few days.

Question 56

Detailed procedures, including the requirements whether the authorities accept or reject an application for registration, should be informed.

Answer:

Please refer to Question 55.

Question 57

Please specify the conditions for obtaining the registration necessary for engaging in foreign trade, including the costs and length of the procedure.

Answer:

Please refer to Question 55.

Question 58

Can natural persons engage in importation activities? If not, why?

Answer:

Please refer to Question 55.

Question 59

Please list the criteria necessary for a domestic or foreign individual or entity to register for foreign trade.

Answer:

Please refer to Question 55.

Question 60

Does Macedonia limit the right of individuals or firms to import and export goods? If so, please list these limitations.

Answer:

Please refer to Question 55.

Question 61

Does Macedonia require commercial registration of individuals or firms to engage in domestic commerce? If so, does this include reference to “scope of business”?

Answer:

Please refer to Question 55.

Question 62

Can a firm's right to import or export be limited by its scope of business? If so, how can a firm amend its scope of business to be able to import and export?

Answer:

Please refer to Question 55.

Question 63

Does the Law on Trading Companies require that a foreign or domestic firm already registered to conduct domestic business re-register to engage in foreign trade? Are the criteria to register to engage in foreign trade different from those for domestic commercial registration? If so, how?

Answer:

Please refer to Question 55.

Question 64

Macedonia states in 807/3 that foreign trading companies and traders may not engage in business in the Republic of Macedonia until they establish a branch.

Please explain the reason for this requirement and the practical implications for a foreign firm seeking to import and export as part of its investment and business in Macedonia.

Answer:

Please refer to Question 55.

(b) Characteristics of national tariff

Question 65

We hope that the new Custom Tariffs Act which will replace the currently applied Custom Tariffs Act inherited from the former SFRJ shall bind lower tariff duty rate than those stipulated in the current Custom Tariffs Act. We also hope that Macedonia shall soon provide its initial offer on goods.

Answer:

The Republic of Macedonia started the preparation of its initial offer on schedule on trade in goods and has an intention to submit it after the first Working Party meeting.

Question 66

Thus far the Republic of Macedonia has been applying the Customs Tariffs Act inherited from the former SFRY which does not conform with the structure of the economy, development and fiscal policy. What is the current situation regarding the adoption of the new Customs Tariffs Act?

Answer:

The Customs Tariff is governed by the new Law on Customs Tariff (Official Gazette 38/96, 45/97, 54/97, 61/97, 26/98) that became effective on 15 August 1996. (This Law will be submitted to the WTO Secretariat, Accession Division, Office No. 1126 in electronic format for examination by the Working Party members.)

Question 67

In WT/ACC/807/3, Macedonia states that one of its policy objectives in international trade is the “conclusion of free trade agreements,…”

Does that mean that the revenue effect of tariff reduction is not a primary consideration? Considering Macedonia’s tariff schedule:

Answer:

With respect to free trade agreements, the Republic of Macedonia’s primary consideration is to extend the regional cooperation and to provide for a bigger market in order to attract foreign investments.

Question 68

Please provide a copy of Macedonia’s current tariff rates, preferably in electronic format.

Answer:

The tariff is an integral part of the Law on Customs Tariff. Please refer to Question 66.

Question 69

Please confirm that Macedonia has established its customs schedule to the HS96 nomenclature . Macedonia's WTO goods market access Schedule tariff commitments should be negotiated and established in HS96 format.

Answer:

The Republic of Macedonia is a Contracting Party to the Harmonized System Convention and the Macedonian tariff is established on the HS96 nomenclature. The Republic of Macedonia's offer on market access will be established and negotiated using the HS96 format.

Question 70

We were disappointed to read in WT/ACC/807/3, that for certain agricultural products and foodstuff, the customs tariff goes up to 60 per cent and that the Customs Tariff Act foresees specific rates in addition to *ad valorem* tariffs. A 60 per cent tariff on agricultural and food products is very high.

We hope that Macedonia is prepared to make substantive improvements in market access for agricultural and food products.

Answer:

The Republic of Macedonia started the preparation of its initial offer on schedule on trade in goods, including agricultural and food products, and has an intention to submit it after the first Working Party meeting.

Question 71

From the description in WT/ACC/807/3, it is unclear whether the Customs Tariff Act contains provisions for future application of specific tariffs in addition to or in place of current *ad valorem* tariffs, e.g., as necessary, or if the Customs Tariff Act provides for the introduction of a combined tariff (i.e., an *ad valorem* rate plus a specific duty in a single tariff rate)

We would appreciate clarification by Macedonia on this point

Answer:

Under the Law on Customs Tariffs of the Republic of Macedonia, two types of tariffs are applied: *ad valorem* tariffs and specific tariffs.

Under the Law for Paying the Specific Duty on the Importation of Agricultural and Food Products, the price premiums (P-prelevman) were introduced for agricultural and food products essentially as a seasonal protection. Prelevman represents a difference between the imported price plus the amount of tariffs and other import charges and the average price in the domestic market.

(c) Tariff quotas, tariff exemptions

Question 72

How are the quotas distributed, e.g., first come, first served; auctioning; historic trade flows, etc.?

Answer:

The allocation of tariff quotas under Free Trade Agreements with the Republic of Slovenia, the Federal Republic of Yugoslavia and the Republic of Croatia is based on the fulfillment of conditions provided in a Decision for each country. The Republic of Macedonia has recently started renegotiation of the FTAs with Yugoslavia, Croatia and Slovenia in which the principle of the “first come, first served” will be included.

The tariff quotas under Free Trade Agreements with Bulgaria and Turkey (to be implemented upon ratification by Turkey) are allocated on the “first come, first served” principle.

Please refer to Annex 3 and questions 73 and 273.

Question 73

Are these the only tariff-rate quotas currently applied on imports?

Answer:

Amendments to the Customs Law (Official Gazette 25/00) implemented on 1 April 2000, Article 24a, introduced tariff quotas.

Article 24a says the following:

- “(1) In compliance with the macroeconomic policy for the development in the current year, the Government of the Republic of Macedonia may determine tariff quotas for importation of certain goods that are not produced in the Republic of Macedonia, or the production of which does not cover the needs. These goods may be imported duty free or subject to lower tariff rates than the rates published in the Customs Tariff.
- (2) According to the act pertaining to paragraph 1 of this Article, the Minister of Economy shall approve the importation of goods to which tariff quotas may apply.
- (3) Goods for which duty free tariff quotas apply shall not be considered as exempt from customs duty.”

(d) Other duties and charges

Question 74

Can the Republic of Macedonia advise whether it imposes any other duties and charges of the kind covered by Article II.1(b) of GATT 1994? If so, does the Republic of Macedonia intend to eliminate such duties and charges in the context of its accession?

Answer:

There is a charge of 0.1 per cent applicable to all imports (see column 7 in the draft offer on tariff concessions in goods) and exports. This charge is used for export promotion.

Question 75

The fee of 1 per cent percent of custom evidential appears to be inconsistent with Article VIII of GATT 1994 as it is not limited to the cost of providing the service.

What plans does the Republic of Macedonia have to modify this policy?

Answer:

Please refer to Question 76.

Question 76

According to Article VIII of GATT any charge imposed on the import of goods must correspond to the cost of a service rendered. Please specify the service rendered on the occasion of the charge of the 1 per cent fee for customs evidential. Please note that fees which are consistent with Article VIII of GATT cannot be in ad valorem format.

Answer:

Imported goods, except goods exempt from customs duty under the current regulations, are charged 1 per cent of the customs base for services rendered.

Question 77

In WT/ACC/807/3 Macedonia reports that it applies a tax of one per cent on the importation of goods as a “ fee for customs evidential “. An ad valorem fee for customs purposes is inconsistent with Article VIII of the GATT.

Please indicate how and what timeframe Macedonia intends to alter or eliminate this fee to bring it into conformity with WTO provisions.

Answer:

Please refer to Question 76.

Question 78

Can the Republic of Macedonia confirm that the fees for custom clearance represent the actual costs of providing such services? Can the Republic of Macedonia provide the comprehensive list of such fees?

Answer:

Please refer to Question 76.

Question 79

Please list all charges, or fees for customs or other purposes applied to imports, other than customs tariffs and taxes also applied to domestic articles.

All charges are equally applied to domestic goods.

(e) **Quantitative import restrictions, including prohibitions, quotas and licensing systems**

Question 80

It is our view that distribution of quotas through an auction system cannot be consistent with a member's commitments under the WTO as the auction premiums would result in charges been imposed in excess of the bound rates of duty to be agreed in tariff negotiations.

Does the Republic of Macedonia have plans to change the auction system currently used for quota distribution?

Answer:

The "Q" regime mentioned in WT/ACC/807/2 is the same thing as the "K"- quantity contingent regime (the mistake was made in the process of translation when the letter K was replaced with Q) and it no longer applies. Allocation through auction was characteristic for this regime. For allocation of tariff quotas under bilateral agreements please refer to Question 72.

Question 81

WT/ACC/807/3 states in section IV 1(e) that quantitative import restrictions were canceled as from 31 December 1996.

Please confirm that the "quantity contingent" "KK" licensing regime applied to the imports listed in Annex I of WT/ACC/807/2 has been abolished. If not, please update the information from 1996. If so, has the legal authority to apply such a regime been abolished, or has its use simply been suspended?

Answer:

Information given in 807/3 is correct. The "quantitative contingent - KK regime" for import licensing listed in Annex 1 of WT/ACC/807/2 was abolished with the Decision for Amending the Decision on Classification of Goods for Imports and Exports (Official Gazette 64/96).

Question 82

Can Macedonia confirm that no quotas exist today and that it has no plans to re-impose quotas on imports?

Answer:

As indicated in question 81, quantitative restrictions no longer apply. However, tariff quotas are applied in the Republic of Macedonia.

Please refer to Questions 72 and 73.

Question 83

Could the Republic of Macedonia provide us more information on the question of safeguarding domestic production explained under e (Quantitative import restrictions, including prohibitions, quotas and licensing systems)? Which specific items are affected by those measures?

Answer:

Please refer to Annex 3 and question 73.

(f) Import licensing procedures

Question 84

WT/ACC/807/3 states that under the Law on Foreign Trade Operations, certain goods may be imported on the basis of "L" licence, in accordance with international agreements, regulation of importation of arms and military equipment, import of industrial and artistic works, and of certain precious metals. A need for an import licence is also foreseen for military equipment, historic and artistic works, certain precious metals, narcotic drugs and alike. Finally, it states that for importation of certain agricultural products and foodstuff and other products, it is necessary to obtain approval or permission and certificate of the competent bodies and institutions. This information is not sufficient to assess WTO conformity of Macedonia's system of regulation of imports.

Please list all products by HS number that are subject to such requirements.

Answer:

Lists of products subject to licensing are attached to Annex 3.

Question 85

Can Macedonia indicate how it intends to justify under WTO provisions the use of discretionary import permits under WTO provisions for certain industrial, agricultural, foodstuff and other products?

Answer:

Please refer to Question 87.

Question 86

Does Macedonia have any other legal authority to apply quantitative restrictions, import permits, or prohibitions on imports other than that contained in the Foreign Trade Law?

Answer:

There are no other legal authorities that apply quantitative restrictions, import permits or prohibitions other than as provided in the Law on Foreign Trade. However, as indicated in question 81, the Republic of Macedonia no longer applies quantitative restrictions.

Question 87

Can the Republic of Macedonia provide details of the specific goods subject to import licensing and the reasons for these measures?

Answer:

Article 4 of the Decision on Classification of Goods for Imports and Exports (Official Gazette 39/96, 64/96, 66/96, 67/96, 45/97, 54/97, 66/97, 20/98, 26/98, 17/99, 20/99, 21/99, 23/99, 24/99, 28/99, 33/99, 42/99, 49/99, 55/99) provides for the conditions for obtaining licences for imports.

Ministries responsible for issuing of licences for products in their field are: Ministry of Trade, Ministry of Agriculture, Ministry of Health, Ministry of Environment, Ministry of Internal Affairs and Ministry of Defense.

Licences are issued for the following reasons:

- due to unpredicted circumstances and over a short period of time, import or export of certain goods increase significantly and may lead to distortions in the domestic market or cause significant damage to the domestic production and trade;
- protection of infant industries;
- difficulties in the balance of payments;
- protection of the environment;
- protection of human and animal health and protection of plants;
- consistency with TRIPS;
- control over circulation of poisons and narcotic drugs in conformity with international conventions;
- control over circulation of weapons and explosives.

The import licensing system also provides for the introduction of temporary licences. They are applied for a limited period of time. Such measures were introduced in April 1999 and abolished in September 1999 due to economic conditions created by the crisis in the region, as permitted under Article XXI b (iii) of GATT 1994.

Lists of products subject to licensing are attached to Annex 3.

Question 88

The Republic of Macedonia indicates that it is necessary to obtain approval, permits or certificates to import certain agricultural products, foodstuffs and other products.

Can the Republic of Macedonia provide details of this arrangements, the products covered, the reasons for these requirements, and the conditions to be met?

Answer:

Please refer to Question 87.

Question 89

Criteria and standards, whether the authorities accept or reject the application of import licensing should be clearly informed.

Answer:

Please refer to Annex 3.

Question 90

An exhaustive list of the products and services, based on the HS numbers and the CPC codes which are subject to the import licensing requirements and activities licensing requirements, should be provided.

Answer:

Please refer to Question 87, Annex 3 and Annex 7.

Question 91

Justification for each import licensing requirement should be explained in detail: e.g. security, public moral and the conservation of the exhaustible natural resources, as prescribed in Articles XX and XXI of the GATT 1994.

Answer:

Please refer to Question 87 and Annex 3.

Question 92

Macedonia should confirm the minimizing of the incidence and complexity of import and export formalities and of decreasing and simplifying import and export documentation requirements. (Article VII 1. (c) of the GATT 1994).

Answer:

The Republic of Macedonia intends to reduce and simplify the documentation required for granting import/export licences in accordance with the provisions of the WTO.

Question 93

Please provide, in a table format, the list of goods submitted to quantitative restrictions (in addition to seasonal goods) and those goods submitted to import-export licensing, specifying the WTO justification for such decision.

Answer:

Export licences are applied to prevent shortage of certain basic products on the market under Article XX of the GATT.

Lists of goods subject to import and export licensing are attached to Annex 3.

For import and export licensing procedure please refer to Annex 3.

Refer also to Question 73.

Question 94

Please describe in detail the import-export licensing procedure (automatic/non-automatic, Ministry responsible, requirements to obtain the licence, cost and length of the procedure, duration of the licence, procedure for its renewal).

Answer:

Please refer to Annex 3.

Question 95

WT/ASS/807/2 and 807/3 report that the Law on Foreign Trade Operations requires licences for the following goods: those covered in international agreements; arms and military equipment, industrial and artistic works; certain precious metals; and narcotic drugs. It also states that imports of certain agricultural products, foodstuff and other products, require approval, permission or certification from the competent bodies and institutions.

Please provide a list, by HS number, of all import goods subject to automatic or non-automatic licensing.

Answer:

Please refer to Question 87 and Annex 3.

Question 96

Please include the rationale for requiring the approval and details about the process of obtaining approval.

Answer:

Please refer to Annex 3.

Question 97

What criteria are applied to decide whether or not an applicant gets the licence to import?

Answer:

Please refer to Annex 3.

Question 98

What are the procedures for obtaining a licence for imports subject to quantitative restrictions, and how are the licences distributed?

Answer:

As indicated in question 81, no quantitative restrictions apply to imports.

Question 99

What are the procedures for obtaining a licence for imports not subject to quantitative restrictions?

Answer:

Please refer to Annex 3.

Question 100

In accordance with Article III: 5(e) of the Import Licensing Agreement, does Macedonia have legislation or procedures in place enabling applicants to request the reasons for which applications for import licences are denied and to request a review of denials?

Answer:

The import licensing procedure is conducted in conformity with general provisions of the administrative procedure set in the Law on Administrative Procedure (Official Gazette of SFRY 47/86). The ministries responsible for issuing licences take the first instance decision. In case of refusal, an appeal is filed with the respective Second Degree Government Committee. Finally, the second degree decision may be reviewed by the Supreme Court, as an independent tribunal, upon complaint filed by the unsatisfied party. The ruling of the Supreme Court is final.

Refer also to Question 54.

Question 101

Macedonia has not yet submitted its Import Licensing Questionnaire as provided for in WT/ACC/1, Annex 3.

Please complete this questionnaire for all import licences, permits, or quotas currently authorized by Macedonian law and indicate if these measures are currently applied. Please provide this information prior to the first meeting of the Working Party.

Answer:

Annex 3 on import licensing is submitted.

Question 102

In WT/ACC/807/2, Macedonia described the "Q" import licensing regime, where a system of administering import licences through quarterly auctions of quotas was established. It claimed that this process had been approved by unnamed "international financial institutions".

Which "international financial institutions" approved this scheme? Is it still in effect? If not, has the legal authority to conduct such auctions been abolished or has it merely been suspended?

Answer:

Formerly, the “K” import licensing regime was under the competence of the Ministry of Foreign Affairs. However, this is no longer relevant because the “K” regime was in the meantime abolished.

Question 103

Is Macedonia using or contemplating the use of this system now after its accession to the WTO? If so, for what purpose other than the administration of quotas are licences auctioned? How will Macedonia reconcile the auction of import licences with its responsibilities under Articles II and VIII, i.e., its tariff bindings and the obligations to apply customs charges to imports in excess of its bindings only for services rendered?

Answer:

Please refer to Questions 71 and 76.

(g) Other border measures

Question 104

Please provide more information to the Working Party on long-term co-operation contracts by enterprises. What do they entail, how are they certified, and what benefits do they gain for the contracting enterprises?

Answer:

Long-term cooperation contracts provide for cooperation between domestic and foreign companies in the field of production. These contracts are regulated by Articles 16 and 17 of the Law on Foreign Trade:

Article 16

“Enterprises and other legal entities cannot, within the scope of their production activities, conclude a contract for long-term production cooperation with a foreign legal entity or physical person, without an approval by the Ministry of Trade.

The approval as stated in Paragraph 1 of this Article may be issued if the contract is in written form and has been effective for at least three years, if the value of exports subject to the contract is at least equal to the value of imports, and if the exchange includes raw materials, intermediate products, spare parts and ready-made products of the same type, for the purpose of specializing the production.

Payment and collection resulting from activities of contracts under Paragraph 1 of this Article will be carried out upon compliance with the law regulating currency transactions.

On the basis of contracts and upon an approval stated in Paragraph 1 of this Article, goods are exported and/or imported freely.”

Article 17

“Contracts stated in Article 16 of this Law and changes made to it are submitted to the Ministry of Trade, to be approved within thirty days of the date of its signing, i.e. the changes and additions, in an original and verified translation, along with a summary specification of goods to be exported and imported in each year of the duration of the contract.

The Ministry of Trade is obliged to decide on the application for approval under Article 16 of this Law within thirty days from its submission. If no decision is made within that time, the contract will be regarded as approved.”

(h) Customs valuation

Question 105

We note from WT/ACC/807/3 that the Republic of Macedonia has passed new legislation, to come to effect from 01/01/2000, which accords with the Customs Law of the EU.

Can the Republic of Macedonia provide the copy of the new Customs Law?

Answer:

The Law on Customs (Official Gazette 21/98, 26/98, 63/98, 25/00) will be available as part of Annex 2 for examination by the Working Party members. Last amendments adopted in March 2000 and published in Official Gazette 25/00 will be submitted when translated English.

Question 106

Is our understanding correct that Macedonia will implement the Custom Valuation Agreement without recourse to the transitional period since it has already accepted Article VII of the GATT? Has Macedonia currently introduced the minimum reference prices?

Answer:

Article VII of GATT 1994 on customs valuation is implemented by the provisions of the Law on Customs. The Republic of Macedonia intends to adhere to the Customs Valuation Agreement.

The Republic of Macedonia does not apply minimum reference prices.

Question 107

Can the Republic of Macedonia confirm it will fully apply Article VII of GATT 1994 and WTO Agreement on implementation of Article VII from the date of its accession to the WTO?

Answer:

Please refer to Question 106.

Question 108

Please submit to the WTO Secretariat a copy of the new Custom Law.

Answer:

Please refer to Question 105.

Question 109

In WT/ACC/807/3 Macedonia stated that a new Customs Law adopted by the Assembly of the Republic of Macedonia and will enter into force from 1 January 2000.

Please confirm that the new Law will prohibit the use of minimum import values or prices for customs purposes or for the application of taxes or other charges or fees on imports.

Answer:

The composition of the customs value and the methods for its determination are regulated by Articles 28 - 39 of the new Law on Customs, the implementation of which started on 1 April 2000.

Article 31 of the Law prohibits an application of minimum values for determination/estimation of duties on imports.

Question 110

Please provide a copy of this law. Please provide any regulations, e.g. the ones that implement the Interpretive Notes of the Agreement, and other aspects of the WTO's customs valuation regime not dealt with directly in the new law.

Answer:

Please refer to Questions 105, 109 and Annex 4.

The Regulation on Customs Valuation was adopted (Official Gazette 17/00). It will be submitted to the WTO Secretariat when translated into English.

Question 111

Please complete the questionnaire on customs valuation in Annex 4 of WT/ACC/1 and submit it to the Working Party prior to its first meeting.

Answer:

Annex 4 on customs valuation will be submitted.

(i) Other customs formalities

Question 112

Please explain the requirements for importing used cars into the Republic of Macedonia.

Answer:

According to the last amendments to the Law on Foreign Trade published in the Official Gazette 82/99, second-hand cars not older than six years from the date of production and equipped with a catalyzer, may be imported in the Republic of Macedonia.

Question 113

Does Macedonia require certification of import documents by consulates in the country of origin? If so, please describe the procedure and any charges applied.

Answer:

The Republic of Macedonia does not require certification of import documents by consulates in the country of origin.

(j) Pre-shipment inspection

Question 114

WT/ACC/807/2 outlines how the Republic of Macedonia regulates PSI but WT/ACC/807/3 states that it has so far not applied PSI.

Can the Republic of Macedonia provide clarification?

Answer:

The Republic of Macedonia does not use pre-shipment inspection (PSI) services. The Republic of Macedonia has no plans to use a private PSI company to provide customs or other services covered by the WTO PSI Agreement.

Question 115

Although not currently applied, does the Republic of Macedonia have in place specific laws and regulations in PSI area? If so, can the Republic of Macedonia provide a copy?

Answer:

The Republic of Macedonia has no legislation which is relevant to PSI.

Question 116

Does the Republic of Macedonia intend to introduce pre-shipment inspection? If so, does the Republic of Macedonia undertake to assure the consistency of the system with the relevant WTO rules?

Answer:

Please refer to Question 114.

Question 117

Macedonia states in WT/ACC/807/3 that through April 1999 it does not use pre-shipment inspection (PSI) services.

Is this still the case? Does Macedonia have any plans to contract with a PSI firm to provide customs or other services covered by WTO provisions?

Answer:

Please refer to Question 114.

(l) Rules of Origin

Question 118

Can the Republic of Macedonia provide to the Working Party a copy of its laws and procedures for identifying country of origin of goods?

Answer:

The identification of the country of origin is governed by the Law on Customs, Articles 25, 26, 27 and 27a (Official Gazette 21/98, 26/98, 63/98, 25/00), the Decision on the Manner of Determining Origin (Official Gazette 26/00), and the Protocols on the Rules of Origin pertaining to the free trade agreements that the Republic of Macedonia has signed.

The Customs Law and the Free Trade Agreements will be available for examination by the Working Party members as part of Annex 2. The Decision on the Manner of Determining Origin will be submitted when translated into English.

Question 119

Please clarify whether proof of origin is required for products originating from all countries or only from these countries exporting to the Republic of Macedonia under a preferential scheme?

Answer:

Proof of origin is only required for goods imported in the Republic of Macedonia under preferential terms, pursuant to the free trade agreements.

Question 120

Where proof of origin is required, what constitutes that proof?

Answer:

The origin of goods is proved by a Certificate of Movement EUR 1 issued by the customs authorities in the exporting country upon a written request of the exporter or an invoice declaration.

The proof of origin contains the following information: the quantity and the type of goods, the description of goods, the exporter and the name of the country issuing the proof of origin of the goods.

Question 121

Under what circumstances might “group of countries be considered as one country for origin purposes”? For example, does the EC count as one country for origin purposes?

Answer:

A group of countries may be considered as one country for origin purposes if the legislation of individual countries on rules of origin is harmonized and consolidated, meaning that such countries

have ratified pertinent conventions, declarations and recommendations of the international community and apply the Harmonized System and the Certificate EUR 1.

Question 122

Does Macedonia still use the method of assessing the origin of goods described in WT/ACC/807/2?

Answer:

The method of assessing the origin of goods described in WTO/ACC/807/2 still applies. However, for countries with which the Republic of Macedonia has signed free trade agreements, the provisions in the Protocols pertaining to rules of origin apply.

Question 123

We seek confirmation from Macedonia that prior to WTO accession, it will adopt legal provisions for rules of origin that conform fully with the requirements of the WTO Agreement on Rules of Origin.

Answer:

The Decision on the Manner of Determining Origin and the Regulation on the Criteria and the Time Limits for Proving Origin of Goods were adopted by the Government (Official Gazette 26/00) and started to implement since 1 April 2000. They will be submitted to the WTO Secretariat when translated into English.

Question 124

In this regard, we seek legal regulations that meet the requirements of Article 2(h) and Annex II, paragraph 3(d) of Agreement, which require provision upon request of an assessment of the origin of the import and outline the terms under which it will be provided.

Answer:

Please refer to Question 123.

(m) Anti-dumping regime

Question 125

We are interested to insure that the Republic of Macedonia's anti-dumping regime is consistent with WTO requirements. WT/ACC/807/2 makes reference to the Law on Foreign Trade Operations (Article 54).

Are there any further details or regulations flowing from this Article, which relate to the Republic of Macedonia's anti-dumping regime and procedures?

Answer:

Anti-dumping measures are set forth in two laws: the Law on Trade (Official Gazette 23/95) and the Law on Foreign Trade (Official Gazette 31/93). Please refer to Annex 2.

The only provision in the Law on Trade concerning anti-dumping measures is contained in Article 34, which stipulates that: “The Government shall undertake necessary measures for protection from dumped prices and shall estimate their duration.”

These necessary measures are set forth in greater detail in Article 54, of the Law on Foreign Trade.

Article 54, paragraph 1 stipulates that “The Government of the Republic of Macedonia may subscribe anti-dumping charges, if in properly performed procedures finds that there is a substantial injury or danger of injury for domestic producers.”

Paragraph 2 defines the existence of dumping: “It is considered that dumping exists when certain goods are imported at prices that are lower than their actual value, and cause or threaten to cause serious injury to the existing production, or that such an import would hamper the development of particular domestic production”.

Paragraph 3 stipulates the value and the period of time of the anti-dumping duty which “cannot be higher than the dumping margin and it remains in effect for a time and at a value necessary to neutralize the dumping.”

Paragraph 4 indicates that a proposal for introducing anti-dumping duties may be submitted by affected companies through the Chamber of Commerce of Macedonia. The proposal must include evidence of the existence of dumping, harmful consequences and demonstrate the link between the dumped import, and the real or potential injury.

Paragraph 5 lays down a procedure in accordance with the provisions of the Law compatible with the antidumping provisions under the GATT. In the case that an antidumping duty is applied, the Customs Office of the Republic of Macedonia is responsible for the collection.

Question 126

What is the Republic of Macedonia’s definition of “real value”?

Answer:

The term used in Article 54 of the Law on Foreign Trade is “normalna vrednost” which should be translated into English as “normal value”. However, Article 54 does not define the term “normal value”.

Question 127

WT/ACC/807/2 also refers to proposals for the introduction of anti-dumping duties made by enterprises concerned”.

Who may lodge an application for anti-dumping duties? What is the Republic of Macedonia’s definition of domestic industry?

Answer:

For an application for anti dumping duties, please refer to Question 125.

Any company registered with the Macedonian authorities and involved in the industrial activity falls under the definition of a domestic industry.

Question 128

The current situation in which Macedonia has introduced the relevant Laws and regulations relating to the antidumping charges should be informed.

Answer:

Please refer to Question 125.

Question 129

Please update the working party on antidumping duty and safeguard legislation.

Answer:

Please refer to Questions 125 and 135.

Question 130

Macedonia's regulations to implement safeguard, antidumping, and CVD actions on imports are contained in the Law on Foreign Trade. We are reviewing the text of this law, and will have detailed comments at a later time.

What are Macedonia's plans for using these measures in the future?

Answer:

Please refer to Question 131.

Question 131

Is Macedonia developing amended legislation to fully comply with the provisions of the WTO Agreements on Safeguards, Antidumping, and Subsidies and Countervailing Measures as they relate to trade remedies?

Answer:

The Government of the Republic of Macedonia examines the feasibility and the necessity of the introduction of a legislation on antidumping, countervailing and safeguard measures.

(n) Countervailing duty regime

Question 132

We are interested to ensure that the Republic of Macedonia's countervailing duty regime is consistent with WTO requirements. WT/ACC/807/2 makes reference to the Law on Foreign Trade (Articles 52 and 53). What are the provisions and procedures provided by these articles?

Answer:

According to Article 54, paragraph 6 of the Law on Foreign Trade, in order to neutralize the consequences of subsidies and premiums, directly or indirectly applied by the country of origin or the country - exporter of products imported into the Republic of Macedonia, the Government of the

Republic of Macedonia can prescribe countervailing custom duty in an amount not higher than the amount of the subsidy or premium.

There are no regulations regarding the procedure for application of the countervailing custom duty mentioned in the Law.

Question 133

Are there further regulations relating to countervailing duty procedures?

Answer:

There are no other existing regulations regarding the countervailing duty procedure.

Question 134

Does the Republic of Macedonia intend to introduce a legislation regulating the countervailing duty regime ?

Answer:

Please refer to Question 131.

(o) **Safeguard regime**

Question 135

We are interested to determine whether the Republic of Macedonia's safeguard measures are consistent with GATT Article XIX and the WTO Agreement on Safeguards.

Can the Republic of Macedonia provide a copy of the provisions on safeguards contained in the Law on Foreign Trade Operations?

Answer:

Safeguard measures are dealt with in Articles 52 and 53 of the Law on Foreign Trade (Official Gazette of the Republic of Macedonia No. 31/93, 41/93, 78/93, Constitutional Court Decision no.44/96 - 40/96, 59/96, 15/97, 13/98, 13/99, 50/99). This Law will be available for examination by the Working Party as part of Annex 2.

The provisions from Article 52 and 53 of the Law on Foreign Trade read:

Article 52

“If the foreign trade and the balance of payments in the Republic of Macedonia are disturbed, the Government will introduce measures to eliminate the disturbance.”

Article 53

“If, due to unpredictable circumstances and in a short period of time, imports and/or exports of certain goods are considerably increased or performed in a manner that distorts the market, that is, negatively influences the supply at the domestic market, injure or threaten to injure the production or sale of those goods in the Republic of Macedonia, the Government may

introduce temporary measures to eliminate the distortions and the injury. The measures shall stay in effect until distortions are eliminated and injury is restored.

A proposal for an introduction and termination of measures of Paragraph 1 of this Article may also be submitted by the Ministry of Trade, the Ministry of Agriculture, Forestry and Water Industry, the Chamber of Commerce and all affected enterprises, along with reports on the caused injury or the injury that would be caused if the measures are not undertaken, as well as on the relation between imports and exports under defined circumstances and the injury resulting from such a relation.

prior to introduction of the measures of Paragraph 1 of this Article, all member countries of GATT will be notified and all parties interested in the goods to imports or exports of which measures pertain, will be given an opportunity for consultations. In exceptional cases, when a delay of measures would cause a serious injury, the Government of the Republic of Macedonia will introduce measures even before consultations take place. In this case, the consultations will be scheduled in the nearest possible future.

For the purpose of securing regular supply of foodstuffs and other strategic products, as well as for the protection of Macedonia's own non-renewable natural resources, the Government of the Republic of Macedonia may introduce measures for temporary limitation or a ban on exports of such products."

Question 136

Does the Republic of Macedonia intend to implement regulations to prescribe procedures and conditions for the introduction of safeguard measures?

Answer:

Please refer to Question 131.

Question 137

Does the Republic of Macedonia intend to introduce the legislation regulating the use of safeguard measures?

Answer:

Please refer to Question 131.

2. Export Regulation

(a) Registration requirements for engaging in exporting

Question 138

Are there any restrictions contained in the Law on Foreign Trade Operations or elsewhere that limit the right of individuals or enterprises to engage in the importation or exportation of goods or services.

Answer:

Under the Law on Foreign Trade conditions for individuals or enterprises for engaging in exportation of goods and services are the same like for importation.

Please refer to Question 55.

(b) Customs tariff nomenclature, types of duties, duty rates, etc.

Question 139

Does Macedonia apply export duties or taxes?

Answer:

The Republic of Macedonia does not apply export duties. However, there is a charge of 0.1 per cent applied to all exports which is used for export promotion.

(c) Quantitative export restrictions, including prohibitions, quotas and licensing systems

Question 140

With references to WT/ACC/807/3, can the Republic of Macedonia elaborate what is meant by the requirement to obtain approvals for certain exports on the basis of “the need to protect the environment and to facilitate development of strategic industries”? In particular, can the Republic of Macedonia advice what criteria are applied to constitute grounds for refusal of applicant’s request for export approval?

Answer:

The list in Annex 3 on export licensing indicates products for which an export permit is required. The restriction for exporting these products is determined and applied according to the necessity in order to avoid temporary shortage of food, inputs needed for domestic processing industry or the protection of the environment as permitted by Article XX of GATT 1994.

Please refer to Annex 3.

Question 141

Does Macedonia apply any quantitative export restrictions? If so, please list the products so regulated by HS96 number and indicate the reasons for the restrictions.

Answer:

The Republic of Macedonia does not apply quantitative export restrictions, but some products are subject to licensing for strategic reasons.

A list of products subject to approval for exports is attached to Annex 3.

Please refer to Question 145.

Question 142

Annex I, appendix 3(b), WT/ACC/807/3 lists export quotas for 1999 administered by Macedonia for trade with the Federal Republic of Yugoslavia.

What is the nature of these quotas, i.e., are they duty-free tariff rate quotas applied by the Federal Republic of Yugoslavia, or are they maximum exportable quantities, i. e., export quotas.

Answer:

Export quotas administered by the Republic of Macedonia for trade with the Federal Republic of Yugoslavia are duty free tariff quotas provided by the Free Trade Agreement between the two countries.

Question 143

Does Macedonia distribute the quota among its exporters? If so, how is it distributed, e.g. first served, accounting, historic trade flows, etc.?

Answer:

The export tariff quotas are distributed in the same manner as the import ones. Please refer to Question 72.

(d) Export licensing procedures

Question 144

Please provide a list of "strategic products" which may be limited for exportation by the government. What legislation is in place for enacting such export limitation?

Answer:

List of products subject to export licensing will be attached to Annex 3. Licences are issued under Article 12 of the Law on Foreign Trade and the Decision on Classification of Goods for Imports and Exports.

Question 145

WT/ACC/807/3 states IV 2(c) that quantitative export restrictions were cancelled as from 31 December 1996.

Please confirm that the "quantity contingent" "KK" licensing regime applied to exports listed in Annex I of WT/ACC/807/2 has been abolished. If not, please update the information from 1996. If so, has the legal authority to apply such a regime been abolished, or has its use simply been suspended?

Answer:

The "quantitative contingent - KK regime" for exports listed in Annex 1 of WT/ACC/807/2 was abolished with the Decision for Amending the Decision for Classification of Goods for Imports and Exports (Official Gazette 64/96).

Question 146

WT/ACC/807/3 states that under the Law on Foreign Trade Operations, certain goods may be exported on the basis of "L" in accordance with international agreements, regulation of importation of arms and military equipment, export of industrial and artistic works and of certain precious metals. It also states that a licence is necessary for exportation of certain products such as commercial explosives, ammunition, arms, narcotic drugs, artistic works, and other products in conformity with international conventions. Finally, it states that for the exportation of certain agricultural products and foodstuff, seed materials and other product, it is necessary to obtain approval permission of the competent bodies. This results from the need to make up temporary shortage of food, the need to protect the environment and to facilitate development of strategic industries.

What criteria are applied to decide whether or not an applicant gets the licence to export?

Answer:

Please refer to Annex 3.

Question 147

Can Macedonia indicate how it intends to justify use of export quotas under WTO provisions "to facilitate development of strategic industries"?

Answer:

Quantitative export restrictions were abolished as from December 31, 1996. However, for exports of certain agricultural products and foodstuff, seed materials and other products, an approval or permission by a competent body is required.

Please refer to Question 140.

Question 148

Does Macedonia have any other legal authority to apply quantitative restrictions or prohibitions on exports?

Answer:

Please refer to Question 140.

(e) Other measures

Question 149

In addition to the restrictions observed in exports to EU, does Macedonia apply or enforce other quantitative export restrictions? If so, what products are involved and for what reason are the restrictions applied?

Answer:

In addition to the restrictions applied in exports to EU, the Republic of Macedonia applied quantitative export restrictions under the Bilateral Agreement with the USA on Textile Products until

the end of 1999 when the Agreement expired. The Republic of Macedonia has recently started negotiations on the conditions for a new Agreement on Textile Products with the USA.

Other quantitative export restrictions can be applied under Articles XX and XXI of the GATT 1994. Please refer to Questions 140 and 141.

(i) Import duty drawback schemes

Question 150

Does the Republic of Macedonia have in place a verification system or procedure to ensure that the quantity of inputs for which drawback is claimed does not exceed the quantity of similar products exported and that there is no drawback of import charges in excess of those originally levied on the imported inputs in question?

Answer:

Import duty drawback is strictly applied. The drawback system is centralized and is administered by regional Customs houses which have a special unit which deals exclusively with drawbacks. This unit takes special care that the value of the import duty on inputs does not exceed the value rebated upon export of the finished product. Drawback is directly connected with the import declaration. The exporter must present all export and import declarations and documentation concerning the value of inputs. After this, an inspection at the producer's premises by a drawback unit verifies the production and value of the imported inputs in the finished products and issues an administrative decision. Drawback can be claimed only once for one import declaration.

Question 151

Please confirm that the value of the import duty on inputs rebated upon export of the finished product is only that applied to goods physically incorporated in the export.

Answer:

Please refer to Question 150.

3. Internal Policies, Affecting Foreign Trade in Goods

(b) Technical regulations and standards

Question 152

Would the Republic of Macedonia advise its time table and detailed work plan to implement the obligations of the WTO - TBT Agreement?

Answer:

The Republic of Macedonia plans to join the TBT Agreement from the date of accession. For the implementation of the Agreement, however, technical assistance will be required, namely training of experts and equipment.

Question 153

Does the Republic of Macedonia envisage any problems in meeting these requirements and if so in what respects?

Answer:

Please refer to Question 152.

Question 154

The current situation in which Macedonia has established the Enquiry Point required under Article X of the TBT Agreement should be informed.

Answer:

The Republic of Macedonia has no enquiry point as required by Article 10 of the TBT Agreement. The information related to TBT is provided to the interested parties by the Bureau for Standardization and Metrology.

An enquiry point as required in Article 10 of the TBT Agreement will be established prior to the accession.

Question 155

The Republic of Macedonia will have to accede to the TBT Agreement from the first day of accession to the WTO. What practical steps is the Republic of Macedonia taking or planing to take to prepare for the accession to the TBT Agreement.

Answer:

Please refer to Question 152.

Question 156

Please provide an overview of regulations relating to different products / products areas.

Answer:

Please refer to Question 168.

Question 157

Are the standards used by the Republic of Macedonia voluntary or mandatory? If they are mandatory, please state the rational behind this.

Answer:

The Republic of Macedonia applies 12,000 standards inherited from the former SFRJ - 9,000 mandatory and 3,000 voluntary. Most of these conform or are equivalent to the international ISO and IEC standards. It is the intention of the Republic of Macedonia to make all the standards voluntary under the new Law on Standardization which is expected to be adopted by the end of 2000.

Question 158

Does the Republic of Macedonia intend to move away gradually from the use of national standards to the use of international standards? If so, what is the time table and the priorities for this change over?

Answer:

According to the Law on Standardization, the basis for application of Macedonian standards are the International Standards. The Republic of Macedonia has no time table for modifications on national standards to the international standards. The adjustments are made whenever needed.

Question 159

Please provide more in-depth information on the procedures and requirements connected with the mandatory and the voluntary system of certification. For example: does the certification system contain the possibility of using a manufacturers' declaration? Does the Republic of Macedonia use pre-market certification in any product areas?

Answer:

According to Article 17 of the Law on Standardization, a company or another legal entity is obliged, in the process of their work, to determine if the product corresponds to the conditions and requirements set out in the technical regulations. This compliance is required by the Law on Standardization and requires the notification procedure.

The submission of evidence that the imported products correspond to the terms and requirements set out in the mandatory standards provided by the laws, is an obligation of the importer or the representative of the foreign company in the sale from the consignment warehouse.

The supervision of the conformity of standards with the provisions of the Law and bylaws based on this Law is carried out by inspection offices. These include market, technical, construction, labour and agriculture inspections.

According to the Law on Measure Units and Measures ("Official Gazette of the Republic of Macedonia" No. 23/95) in case there is a mandatory examination of the type of measuring instruments to be used in the Republic of Macedonia, they should correspond to the metrology requirements and be in compliance with applicable legal provisions.

To certify compliance, the report for examination of the products, the statement for homologation and any other document concerning the adequacy and the quality of the products issued in third countries, are recognized in the Republic of Macedonia. According to Article 58 of the Law on Standardization, this recognition takes place in the following situations and under the following terms:

1. If there is an international agreement, signed by the Republic of Macedonia, and according to which there is an obligation for the mutual recognition by contracting parties under the terms of that agreement;
2. If the documents are issued in the area of international systems for certification, recognition of the results of the examination or other international systems for securing quality in compliance with the rules of the international systems and if the Bureau for Standardization and Metrology (BSM) is a member of those systems;

3. If the documents referred to in Paragraph 1 of this Article are issued by an organization that performs this activity abroad.

The recognition of documents referred to in Article 58 Paragraph 1 of the Law on Standardization and Article 57 of the Law on Measure Units and Measures is carried out by the BSM.

The BSM checks the data in the documentation or examines one or more characteristics of the product.

Question 160

Does the Republic of Macedonia accept as equivalent certificates from third country certification bodies?

Answer:

The Republic of Macedonia can accept equivalent certificates from third country certification bodies if the country is a member of a relevant international organization.

Question 161

Has the Republic of Macedonia developed a quality assurance system?

Answer:

According to the existing Law on Standardization, the Bureau for Standardization and Metrology is the only authorized institution for matters connected with accreditation.

Upon the adoption of the Law on Accreditation an accreditation body will be established under the set of standards EN45000. This body will become a member of a relevant international institution upon fulfilment of all necessary requirements.

The accreditation system, including the quality assurance system is being developed. This system will consist of a network of metrology and testing laboratories, certification bodies for products and quality systems.

It is the intention of the Government of the Republic of Macedonia to intensify the activities for building a suitable network that will function in compliance with international rules.

Question 162

Please provide further information on the quality assurance system, or on any plans to develop such a system.

Answer:

Please refer to Question 161.

Question 163

Please provide further information on the Republic of Macedonia's accreditation system.

Answer:

Please refer to Question 161.

Question 164

Could the Republic of Macedonia provide us more information on the harmonization process towards international standards? Is Macedonia member of an European or international accreditation office? Is there an official inquiry point as stipulated by article 10 of the TBT Agreement?

Answer:

Please refer to Questions 154,158, 161 and Annex 5.

Question 165

Please provide more detailed information on the operation of Macedonia's technical regulation and standards system for agricultural products; in particular, the requirements for imported and domestic products.

Answer:

A list of regulations on quality of agricultural and food products is attached (Attachment 3).

Question 166

Please complete the questionnaire in Annex 5 of WT/ACC/1 on Technical Barriers to Trade and submit it to the Working Party for review prior to the first Working Party meeting.

Answer:

Annex 5 on technical barriers to trade will be submitted.

Question 167

Please complete the implementation checklist for the TBT Agreement, and submit it to the WP to review prior to the first WP meeting.

Answer:

The Memorandum on Compliance with the WTO TBT Agreement is submitted to the WTO Secretariat.

Question 168

Please provide the WP with all relevant legislation and regulations dealing with the application of standards to imports, certification requirements, the transparency requirements of the WTO, and provisions for appeal prior to the first WP meeting.

Answer:

The standardization system is regulated by the Law of Standardization (Official Gazette No. 23/95), Law on Measure Units and Measures (Official Gazette No. 23/95) and Law on Control of Goods Made Out Of Precious Metals (Official Gazette No. 23/95).

In accordance with Article 93 of the existing Law of Standardization, all regulations, bylaws and standards which were prepared and implemented under the previous Law of Standardization (Official Gazette No. 37/88, 23/91 and 55/91), will remain in effect until new regulations, bylaws and standards are adopted. The process of preparations of new regulations is underway.

The following regulations and bylaws were inherited from the former SFRY:

- Regulations of technical rules (94 total)
- Regulations for quality (46 total)
- Regulations for specification in production (4 total)
- Regulations for declaration, marking, pointing and prepackaging of products (6 total)
- Regulations for documents submitted with products released on the market, such as manuals, instructions, guarantees, addresses of services. (14 total)
- Regulations for closer contents of the technical directory - manual (2 total)
- Regulations for obligatory attest. (52 total)
- Regulations which are a comprehensive part of the Agreement for accepting of equivalent conditions for homologation and mutual recognizing of homologation of the equipment and motor vehicle parts (49 total)
- Rules on different categories of measuring instruments (500 total).

The authorized body which covers all activities in relation with the development of industrial and other standards in the Republic of Macedonia is the Bureau for Standardization and Metrology (BSM). Since January 1, 1995 the BSM is a member of the International Standardization Organization (ISO). BSM is also a member of the International Organization of Legal Metrology (OIML) since 1994.

The Ministry of Economy is in the process of preparing four new laws, namely: the Law on Standardization, the Law on Metrology, the Law on Accreditation and the Law on Conformity Assessment for the Products. The preparation is in its initial stage.

(c) Sanitary and phytosanitary measures

Question 169

Would the Republic of Macedonia advise what plans it has to introduce the changes that would be required to meet its obligations under the WTO SPS Agreement, and the time table for these?

Answer:

The WTO SPS Agreement falls under the competence of the Ministry of Health (human health and sanitary measures) and the Ministry of Agriculture (veterinary and phytosanitary measures).

Although the Republic of Macedonia already applies SPS measures which correspond to some extent to the measures included in the SPS Agreement it has to undertake several activities to be

fully compatible with the Agreement. They include: the examination and harmonization of the national legislation with Codex Alimentarius standards, guidelines and recommendations related to food additives, veterinary drugs and pesticide residues, contaminants, methods of analysis and sampling, and codes and guidelines of hygienic practice.

The above mentioned will enable the Republic of Macedonia:

- to accept the principle of equivalence;
- to perform control, inspection and approval procedures consistent with the WTO rules;
- to take into account risk assessment techniques developed by relevant international organizations.

The Veterinary Division at the Ministry of Agriculture is examining the Macedonian existing legislation and its compatibility with the WTO SPS Agreement. Macedonia intends to amend the existing legislation to comply to the WTO SPS Agreement in the area of veterinary measures.

The adoption of a new legislation on plant protection that will include the IPPC recommendations (including Annex 2 to the Revised text approved by FAO at its 29th Conference held in November 1997) is in process. The Republic of Macedonia is considering signing of the convention and meeting the obligations pursuant to the WTO SPS Agreement in the area of phytosanitary measures.

Question 170

Does the Republic of Macedonia envisage any problems in meeting these requirements and if so, in what respect?

Answer:

The Republic of Macedonia does not envisage problems in meeting these requirements, but is aware that this is a complex and long-lasting process and that technical assistance will be required.

Question 171

Exhaustive lists indicating that Macedonia will, in the near future, become a contracting party to the international conventions on the sanitary protection of animals should be informed.

Answer:

The Republic of Macedonia is a member of the European Convention on Protection of Animals Bred on Farms and European Convention on Protection of Animals to be Slaughtered. The Republic of Macedonia became a party to these Conventions since 30 March 1994 by means of succession of the former Yugoslavia. They were implemented since 1 October 1994.

At present, a Regulation on Animal Welfare is under preparation. It will contribute in the process of harmonization of the Macedonian legislation with the EU legislation and the WTO rules. In addition, this Regulation will satisfy one of the main conditions for conformity with the international conventions on sanitary protection of animals.

In the near future the Republic of Macedonia intends to become a member to the Convention of Pets, the Convention on Protection of Animals During Transportation and the Convention on the Protection of Animals Used for Experiments.

Question 172

The current situation in which Macedonia has established the Enquiry Point required by Annex B of the SPS Agreement should be informed.

Answer:

At present, the Republic of Macedonia has no special Enquiry Points as foreseen in Annex B of the SPS Agreement. The Ministry of Health provides information related to sanitary measures for food and beverages. The Ministry of Agriculture provides information in the area of protection of plants and plant products and in the area of veterinary protection.

An enquiry point as required in Annex B of the SPS Agreement will be established prior to the accession.

Question 173

Please confirm your intention to join the SPS Agreement and a timetable for its implementation. Does the Republic of Macedonia anticipate any difficulties in applying the SPS Agreement?

Answer:

The Republic of Macedonia has an intention to join the SPS Agreement. For the acceleration of this process, however, technical assistance will be required with regard to development of human capacities in the process of incorporation of the Codex Alimentarius standards into the national legislation, as well as (human, equipment, facilities) for the implementation of the changed legislation in practice.

Question 174

To what extent have sanitary and phytosanitary measures been harmonized with international standards (OIE, Codex, IPPC)?

Answer:

The Republic of Macedonia is a member of the Codex Alimentarius Commission. At present, an expert group within the Ministry of Health is studying the Codex standards in order to adjust the national legislation.

The Republic of Macedonia has been a member of the International Office of Epizootics (OIE) since 1993. The Republic of Macedonia also signed bilateral agreements for cooperation in the field of veterinary practice with a certain number of countries, based upon standards issued by OIE and EU. The Veterinary Department of the Ministry of Agriculture is a member of the Regional Committee (for Balkan countries) for eradication of epidemic diseases indicated in the OIE list A with a special emphasis on Foot and Mouth Disease. The Committee should establish a disease eradication plan in compliance with the recommendations of the OIE and standards prescribed by the EU.

The Republic of Macedonia adopted the Law on Protection of Plants in June 1998 (Official Gazette 25/98). The Law represents the legal framework for further preparation of regulations on phytosanitary measures compatible with the IPPC requirements and is a main condition for Macedonia's request for membership. During this process, the Republic of Macedonia will need technical assistance.

Question 175

How are SPS measures applied to imported products? Do these measures differ for domestically-produced products?

Answer:

The same sanitary and phytosanitary measures are applied to both imported and domestically produced products.

1. The procedure for sanitary measures include the following:

Inspection at the border: import inspection is performed by a border sanitary inspection upon request of the importer. During this inspection, inspectors:

- check documentation of products which include a market authorization from the country of origin, and packaging and labeling related to food safety;
- perform organoleptic examination on the site;
- take samples for testing and control that are performed by authorized laboratories. Laboratory control examines presence of additives, contaminants, toxins or disease-causing organisms in foods and beverages. Methods of analysis and sampling are prescribed by national regulations;
- National regulations also apply to hygienic practices;
- Risk assessment methods are not prescribed by law.

2. Veterinary measures:

Imports of live animals, animal products, raw materials and offal from slaughtered animals, are regulated by the Law on Veterinary Practice (Official Gazette 28/98), and regulations prepared in the period of former SFRJ. The preparation of new regulations based on the Macedonian Law for Veterinary Practice will be completed in the course of year 2000.

In compliance with the Law for Veterinary Practice, for imports of live animals, animal products, raw materials and offal from slaughtered animals, the Minister is ensuring that there are no veterinary-sanitary preconditions which are an obstacle for importation. The same regulations and standards are valid for domestic products.

A veterinary approval for importation is based on the Animal Health Code (OIE) and the Codex Alimentarius.

The Codex Alimentarius, which relates to food safety (residues of veterinary drugs, pesticides, contamination, analyzing methods, food hygiene) is implemented by the veterinary inspection, market and sanitary inspection.

Certificates for exports of live animals, products, raw materials and offal from slaughtered animals are based on the certificates of compliance from the EU countries. Only goods accompanied with certificates consistent with those announced in the Official Gazette of the EU are accepted. Certificates for products imported from non EU countries are subject to bilateral agreements and conventions that provide in detail the information to be contained in

such certificates. However, in the latter case, EU certificates are taken as a basis notwithstanding the existence of bilateral agreements.

3. Phytosanitary measures

Imports of agricultural and forest plants and products thereof to the country are performed only through border posts which are determined by the Government of the Republic of Macedonia (Decision for determining border posts where import, export and transit of plants, plant products and chemicals for plant protection will be performed - Official Gazette 49/98 and Decision for extension of the decision for determining border posts where import, export and transit of plants, plant products and chemicals for plant protection will be performed - Official Gazette 1/99 and 52/99).

Inspection control of imports is carried out by authorized experts by visual methods control and control of a phytosanitary certificate with additional documents (depending on the type and origin of the product). If an expert considers it necessary, samples are taken to determine if there is a presence of quarantine pests, e.g. to determine a hidden new epidemic.

For the purpose of determining the presence of pests which could be killed directly in the shipment, the authorized inspector orders protective measures, desinsection or disinfection, at the expense of the exporter/importer.

In the case of imports that contain quarantine pest listed in list A - Quarantine pests and diseases which are not present on the territory of Republic of Macedonia - (Official Gazette 9/96), plants or products will be returned or destroyed in agreement with the importer in the Republic of Macedonia. The procedure is regulated by the Law for Plant Protection ("Official Gazette of RM" no 25/98). It contains a framework for regulative preparation and adoption of methods for inspection, certification, declaration, exchange of information about the situation with plant pests and methods for destroying deliveries contaminated with quarantine disease. The Law is based on the implementation of the International Convention for Plant Protection and International Phytosanitary Standards.

Plants and plant products are under phytosanitary control during the vegetation period, production, harvesting and in the market according to the phytosanitary measures published as a guideline for supervision and according to the conditions which are provided for in the country.

For seedlings in facilities for planting, it is obligatory to have two phytosanitary examinations during the vegetation period: 1) by institutions authorized by the Minister for Agriculture, Forestry and Water Economy, and 2) by laboratory testing to confirm that seeds or planting materials do not contain pests.

Plants and plant products which are exported are subject to health control. A phytosanitary certificate based on monitoring from a separate inspection at the loading point, by authorized experts from the Government is issued prior to shipment of goods for export.

A model form from Annex I of the International Convention for Plant Protection is used to prepare the phytosanitary certificate for exportation and re-exportation.

The phytosanitary measures controlling pests in agricultural and forest plants and on plant products, are prepared according to the international standards for phytosanitary measures.

This includes:

- Pests monitoring;
- Pests eradication
- Determining the presence of pests in certain regions;
- The destruction of plants and products;
- Establishing a production facility free of pests presence;
- A system for export certification;
- An inspection method; and
- An International Convention for Plant Protection together with Annexes and its changes and additions.

In the process of preparing and adopting the annexes, regulations, directives and guidelines, the Republic of Macedonia is incorporating the international phytosanitary standards in the legal regulations.

Phytosanitary measures for imported plants and plant products are applied according to the conditions contained in the International Convention for Protection of Plants and bilateral agreements or the conditions determined by the Republic of Macedonia in certain cases when there is an indication for presence of quarantine pests.

A phytosanitary certificate confirming that the plants or products have no quarantine pest and that they originate from a region free of quarantine pests is obligatory.

Question 176

Please complete the questionnaire in Annex 5 of WT/ACC/1 for measures covered by the WTO Agreement on Sanitary and Phytosanitary Measures and submit it to the WP for review prior to the first WP meeting.

Answer:

Annex 5 to WT/ACC/1 on measures covered by the WTO Agreement on SPS will be submitted to the Working Party.

Question 177

Please complete the implementation checklist for the SPS Agreement, and submit it to the WP for review for review prior to the first WP meeting.

Answer:

The Memorandum of Compliance with the SPS Agreement is submitted to the Working Party.

Question 178

Please provide the WP with all relevant legislation and regulations dealing with the application of sanitary and phytosanitary and certification requirements to imports, the transparency requirements of the WTO, and provisions for appeal prior to the first WP meeting.

Answer:

The Law on the Health Safety of Foodstuffs and Products for Common Use (Official Gazette of SFRJ 53/91, Official Gazette of RM 15/95) – see also Attachment 4.

The Law on Health Control of Foodstuffs and Products for Common Use (Official Gazette 29/73, 37/86, 15/95) and pertinent regulations. (The list of regulations on food safety is attached to the Memorandum of Compliance with the WTO SPS Agreement).

The Law on Veterinary Health (Official Gazette 28/98).

The Law on Plant Protection (Official Gazette 25/98).

The laws listed above will be available for examination by the Working Party members as part of Annex 2.

For appeal please refer to Question 54.

(d) Trade-related investment measures

Question 179

Has Macedonia established an organ or branch, which provides the relevant information on trade and investment, and addition to that in the TBT and SPS Agreement?

Answer:

The Investment Promotion Division is operating under the Ministry of Development. It coordinates all activities related to foreign direct investments, including investment promotion, development of industrial policy and establishment of a one-stop-shop system (A place where potential investors can obtain all relevant information for the investment process, e.g. registration requirements, incentives, etc.).

The Investment Promotion Division can provide to potential investors any information and services in the area of practical and legal potentials for investment in the Republic of Macedonia.

Responsibilities and duties of the Investment Promotion Division are the following:

- To study the investments in different sectors of the economy and to prepare comparative analysis on investments in the country and abroad;
- To develop an efficient long-term strategy and policy for investing in the country;
- To identify potentials for investments and promotion of investment projects in cooperation with ministries, companies and foreign investors;
- To identify potential foreign investors, and establish permanent contacts with them;
- To provide services to potential foreign investors regarding information on the current legislation and infrastructure in the country;
- To propose changes in the current legislation;
- To enlarge the computer database by indicating business profiles of companies from different sectors of the economy, including information on their production, market, management teams, as well as the cooperation with the current domestic and foreign information nets;
- To organize seminars, conferences and other events to expand business relations, attract foreign investments, and promote business partnership through organization of

round tables for foreign entrepreneurs, distribute promotion materials, direct marketing, TV marketing and printed media.

In 1999, the Ministry of Development prepared a Program for Stimulating Investments with a Special Emphasis on Attracting Foreign Investments. The Program identifies various restrictions and obstacles in the economy, the legal system and the political environment which hamper investments in general, and the inflow of foreign direct investment in particular. It also gives recommendations and directions how to remedy the situation and adjust the legal framework to international standards.

The Program will be available for examination by Working Party as part of Annex 2.

Question 180

Please confirm that Macedonia applies no export performance requirements or other measures inconsistent with the TRIMS Agreement.

Answer:

The Republic of Macedonia does not maintain any measures contrary to the provisions of the TRIMS Agreement.

Question 181

If such measures exist, please describe them.

Answer:

Please refer to Question 180.

(i) Definition of foreign investors and foreign investment

Question 182

Does the Republic of Macedonia intend to notify any measures under the TRIMS Agreement?

Answer:

Please refer to Question 180.

Question 183

Please confirm that the Republic of Macedonia maintains no measures inconsistent with the TRIMS Agreement, other than those listed in the previous response.

Answer:

Please refer to Question 180.

(ii) Rights of foreign investors

Question 184

Are there certain areas or sectors in which foreign investment, either by a new establishment or by a participation in existing undertakings, is forbidden or limited?

Answer:

In general, there are no limitations on foreign investment in the Republic of Macedonia, except in the areas of the military industry, circulation and trade of arms, circulation and trade of narcotics, protection of historical monuments and cultural wealth. The limitations on the participation of foreign capital in the ongoing business ventures and new companies are regulated by the *lex specialis* for each individual field.

According to Article 10 of the Law on Broadcasting, a foreign natural person or legal entity may participate in the capital of a broadcasting company up to 25 per cent. The share of more than one foreign shareholder may not be higher than 49 per cent.

The information on foreign participation in insurance companies is provided in question 268.

The information on foreign participation in banks is provided in question 265.

Question 185

Please confirm that domestic legislation grants National Treatment, and is therefore non discriminatory, vis a vis domestic investors and their investment and to foreign investors and their investments.

Answer:

The legal grounds for the national treatment of foreign investors are provided in the Law on Trade Companies (published in Official Gazette no.28/96, 7/97, 21/98, 37/98, 63/98). This Law differentiates two possibilities for the involvement of foreign investors in Macedonia:

1. When foreign legal entities or natural persons establish a company under the Macedonian laws or acquire stocks and shares in an already existing Macedonian company.

According to Article 26 of the Law on Trade Companies:

- (a) Any foreign natural person or a legal entity may be an interest holder or a stockholder.
- (b) A foreign natural person or a legal entity may incorporate a company or acquire stock in the same manner and under the same conditions as citizens of the Republic of Macedonia and legal entities entered in the Trade registry in the Republic of Macedonia, unless otherwise stated by law.
- (c) A share of a foreign investor in a newly incorporated or an existing company shall be unlimited, unless otherwise stated by another law.
- (d) A company having foreign shareholders shall have rights and liabilities equal to that of a company without foreign shareholders, except when stated by law.

2. When foreign companies or sole proprietors operate in the Republic of Macedonia through a branch office.

According to Article 684 of the Law on Trade Companies:

In their operations on the territory of the Republic of Macedonia, foreign trade companies and foreign sole proprietors shall comply with the law and shall have a status equal with domestic persons and legal entities, unless otherwise determined by a government agreement or by a law.

Please refer also to Question 184.

Question 186

Is there any domestic legal protection for foreign investors in case of expropriation?

Answer:

The Constitution of the Republic of Macedonia adopted in 1991 prohibits expropriation of property, except in time of war, certain unpredictable situations or for the purpose of public interest - which in this case should be executed in a manner as provided by law. The Law on Expropriation (Official Gazette 33/95, 20/98 and 40/99) provides for reasons and procedures for expropriation in Macedonia, as well as the manner in which compensation is assessed and settled. Foreign investors are entitled to equal legal protection and compensation.

The Republic of Macedonia has bilateral agreements on protection on investments which have provisions on expropriation of investments in both countries. A list of these agreements is attached (Attachment 5).

(iv) Foreign investment incentives

Question 187

Please detail government initiatives in foreign investment incentives.

Answer:

Government initiatives for foreign investments include the following:

- Capital equipment of foreign investors is exempt from customs duties;
- Profits generated by foreign capital are not taxed during the first three years;
- No taxes are applied on profits that are reinvested in fixed operational assets;
- No taxes are applied on profits that are invested in protection of the environment and nature.

Please refer also to Question 179.

(e) State-trading practices

Question 188

Can the Republic of Macedonia provide more detailed information on intervention in the market by the Directorate for Stocks Reserves, including legislation and regulations under which it operates and details of its activities?

Answer:

The strategic reserves of the Republic of Macedonia are governed by the Law on Stock Reserves adopted in 1987 (Official Gazette 47/87) and amended in 1993 (Official Gazette 13/93). According to the working program of the Government of the Republic of Macedonia, a preparation of a draft Law on Stock Reserves is underway and it is expected to be completed by the end of March 2000.

Strategic reserves are created to provide a supply of primary food and non-food products vital to the life and health of the population. The products also include certain raw materials essential to the domestic production or products of a special interest for the defense of the country. The stocks are used in times of significant disorder and instability of the market, natural and other disasters and in a war situation.

The interventions with strategic reserves in the market are carried out with the following measures: buying and selling goods from the stock reserves, lending goods, importing goods and purchase of certain agricultural products with the prescribed protective prices when the domestic market prices fall on or below the level of protective prices. In the Macroeconomic Policy for year 2000 protective prices are anticipated for the wheat (HS 1001 90 00 50) and the small leafed oriental tobacco (HS 2401).

Please refer to Annex 6.

Question 189

Can the Republic of Macedonia advise how such stabilization activities impact imports and the ability of enterprises to import based solely on commercial considerations?

Please refer to Question 188.

Question 190

Does the Directorate in effect establish and impose import quotas depending on market supply conditions?

Answer:

The Directorate for Stock Reserves is not competent to determine import quotas. The import quotas are determined by the Government of the Republic of Macedonia upon proposal from the Ministry of Finance and the Ministry of Trade.

Question 191

Does the Directorate for Stock Reserves sell or cause to be sold the surplus it accumulates in overseas markets? If a surplus is sold domestically or internationally by a private enterprise, how is the price and volume determine? How does such activities not constitute a special right and privilege under Article XVII of GATT 1994?

Answer:

If the Directorate for Stock Reserves has a surplus of products that should be sold or the existing stock reserves should be replaced with new products, the Government of the Republic of Macedonia makes a decision upon proposal of the Directorate and sets the initial minimum price. The minimum price is determined to cover only expenses of the Directorate and not to accumulate profit. Products are offered on the market through a public tender. Products from stock reserves are not exported, but sold at the domestic market (the foreign tender on tobacco was an exception because of large quantities of tobacco that were bought out from producers).

Please refer to Question 214.

Question 192

Does the Republic of Macedonia have plans to change these arrangements?

Answer:

At present, the Republic of Macedonia maintains these arrangements. The Directorate is notified as a state trading enterprise in Annex 6 in accordance with the WTO notification requirements.

Please refer to Question 191.

Question 193

Macedonia indicates in WT/ACC/807/2, section IV:3(e) that the Directorate for Stocks and Reserves in the Ministry of Economy operates under the Law on Safety Stocks (Official Gazette No.41/87, 19/93) to stabilize supplies of the following food and industrial products: wheat, sugar, cooking oil, salt, medicines and petroleum derivatives.

Article 20 authorizes the Directorate to purchase surplus products “subject to protective prices” and to buy or sell goods from the safety stock created in order to prevent market instability or significant increases above the level of fixed prices for the current year. WT/ACC/807/2 states that, “Protective prices for wheat, sun/flower, sugar beat, lamb and veal, as well as for small-leaved oriental tobacco are being prescribed but for at most 15.000 tons of agreed quantities”.

Please submit a copy of the Law on Safety Stocks to the Secretariat for The Working Party’s review.

Answer:

The Law on Stock Reserves will be available for examination by the Working Party members as part of Annex 2.

Question 194

Please define “protective-prices” - are these support prices for local agricultural products? Is there, as is indicated in 807/2, a limit to the amount of local output that will be purchased by the Government at “protective prices?”

Answer:

The quantities of products that have to be bought out by the Directorate for Stock Reserves under protective prices are determined by the Government with the decision for buyout of the products.

For protective prices please refer to Question 214.

Question 195

Are the “fixed prices” being defended consumer prices or prices to the domestic supplier?

Answer:

The term “fixed prices” understands prices of products which under the Decision on the Highest Prices of Certain Products and Services are or may be subject to price control.

Please refer to Question 9.

Question 196

Please elaborate here or in the section on Agricultural supports on the process by which goods are made subject to “protective prices”, including details on how prices are set and on the governing entities, laws, and regulations.

Answer:

Please refer to Question 214.

Question 197

Please list by HS96 number and description all the foods subject to “protective prices” and government purchasing. Are any of the foods subject to “protective prices” also subject to import licensing or other import restrictions?

Please refer to Question 214.

Question 198

Are domestic or foreign-owned firms free to import goods subject to “protective prices” without appointment by the Directorate for Stocks and Reserves and without reference to the prices offered by the Directorate for domestic output?

Answer:

As indicated in question 188, the Macroeconomic Policy for 2000 anticipates protective prices for wheat and small leafed oriental tobacco. The importation of wheat is subject to licence issued by the Ministry of Trade, while the importation of tobacco is under liberal regime.

Question 199

Macedonia further states that, as regulated by the Law on Safety Stocks, when there is a shortage of goods of vital importance to the life and health the Government imports such goods not through the Directorate for Stocks and Reserves directly, but through enterprises “registered for foreign trade ”selected by the Directorate conducted on the basis of a public competition or announcement by collection of offers, thus enabling all enterprises to apply for the competition. Macedonia states that the enterprise that has offered most favorable conditions is selected.

Please submit prior to the first WP meeting information on the Directorate for Stocks and Reserves and any other agencies, enterprises or firms trading on behalf of the State in the format on the questionnaire in Annex 6 of WT/ACC/I, without prejudice as to whether or not they are, in Macedonia`s judgement, state trading entities within the meaning of Article XVII of the GATT.

Answer:

Annex 6 on state trading will be submitted to the WTO Secretariat.

Question 200

Are foreign owned firms eligible to compete for such import contracts on an equal basis with domestically owned firms?

Answer:

According to Article 3 of the Law on Public Procurement foreign companies are eligible to compete in public tenders under the same conditions as domestic companies.

(g) Free economic zones

Question 201

Please provide the WP with details of the existing or planned free zones and /or free economic zones.

Answer:

At present, the Republic of Macedonia has not yet established a free economic zone. The first one will be established in cooperation with investors from Taiwan in the Bunardzik area close to Skopje. The Ministry of Development is in the process of completing the documentation and it plans to start building the infrastructure in April 2000.

Question 202

Please confirm whether or not free zones and/or free economic zones will be fully subject to the coverage of the Republic of Macedonia's future commitments as a WTO member.

Answer:

When establishing free zones or free economic zones, the Republic of Macedonia will ensure their compatibility with its obligations under the WTO.

Question 203

Please indicate whether or not goods produced or imported into these zones under the special tax and tariff regimes envisaged for these zones are subject to normal customs formalities, taxes and tariffs when entering the rest of the Republic of Macedonia.

Answer:

Goods produced or imported into free economic zones shall be subject to normal customs formalities, taxes and tariffs upon entering the rest of the Republic of Macedonia.

Question 204

Has Macedonia established either a free zone or a free economic one? If not, are there plans to do so?

Answer:

Please refer to Question 201.

Question 205

Please provide the text of any law or regulation that authorizes the establishment of these institutions and the requirements for participation and operation.

Answer:

The Law on Free Economic Zones was enacted by the Parliament of the Republic of Macedonia and published in the Official Gazette of RM no. 56/99. The Law was drafted by a group of experts from the ministries, the Chamber of Commerce, and domestic and foreign consultants. It provides for equal treatment of the legal entities as founders, both domestic and foreign, as well as of natural persons as consumers in free zones.

Article 3 of the Law on Free Economic Zones says that:

The establishment of a free zone shall be subject to the fulfilment of the following condition:

- 1) that spatial, energy, technical and other requirements prescribed for conducting activities in a free zone are satisfied;
- 2) that the percentage of goods and services exported from the free zone is not smaller than the percentage determined by this Law (Article 25), except in cases of *force majeure*;
- 3) that the employment is increased in the country as a result of activities in the free zone;
- 4) that the production and technology process, goods manufactured and stored, and services performed do not endanger the environment and the nature;
- 5) that the required start-up capital is provided by the founder of the free zone.

The founder of the free zone shall adopt a Foundation Act. The founder and users of the free zone shall employ Macedonian citizens and procure goods and services from Macedonian suppliers and sub-suppliers, whenever commercially justified.

Article 29 of the Free Economic Zones provides that:

In the free zone goods intended for export are manufactured, and services, such as foreign trade exchange, banking and other financial activities, property, individual insurance and reinsurance activities and other commercial activities are performed. Textile industry activities are exempted.

User of a free zone conducting manufacturing or refinement of goods may, based on a contract, entrust such activities to legal entities or natural persons (sub-contractors) with head offices inside or outside the free zone. The user of the free zone are liable to pay the sales tax on goods and services.

The activities from paragraph 1 of this Article may be conducted provided that:

- 1) business ventures are based on new investments and modern technologies;
- 2) origin and quality of raw materials, semi-finished products and finished products are ascertainable and controllable;
- 3) operations do not endanger public security and health of people in the free zones;

- 4) users of a free zone insure capital assets and employees against any risk arising from their operation.

For more detailed examination by Working Party members, the English translation of the Law on Free Economic Zones will be available as part of Annex 2.

(j) Government-mandated counter-trade and barter

Question 206

WT/ACC/807/3 indicates the Ministry of Economy issues approvals for barter trade.

Can the Republic of Macedonia provide details of extent to which barter trade is engaged, the products and entities concerned, the volumes of this trade, and the conditions under which such trade take place?

Answer:

Legal provisions for barter trade are provided in Article 18 of the Law on Foreign Trade. More specific conditions and terms are contained in the Decision on the Conditions, Manner and Time Limits for Barter. Since November 1998 it is the newly established Ministry of Trade and not the Ministry of Economy that issues approvals for barter. The approvals are issued solely for administrative and statistical purpose.

Statistical data of the Customs Administration of the Republic of Macedonia indicate that in 1999 the value of barter imports was \$54,666,172 and the value barter exports was \$53,100,194 which represents 3.14 per cent and 4.40 per cent of the total imports and exports, respectively.

In 1999, barter deals were made with 322 companies from 31 countries. The major barter partner of the Republic of Macedonia was FR Yugoslavia with a share of 53.51 per cent in the total barter imports and 53.16 per cent in the total barter exports, followed by Croatia with 10.15 per cent and 8.38 per cent, and Slovenia with 7.17 per cent and 6.11 per cent, respectively. Other countries having a significant share in barter deals were Greece, Italy, Albania, the Russian Federation and Egypt.

Concerning the composition of products, the biggest share of bartered imports were raw materials, while barter exports included mostly tobacco, spare parts and equipment for motor vehicles, cigarettes, transformers, mineral and chemical fertilizers, washing and cleaning detergents, and artificial and synthetic fibers.

The Law on Foreign Trade and the Decision on the Conditions, Manner and Time Limits for Barter will be available for consideration by the Working Party Members as part of Annex 2.

Question 207

Please detail the policies and methods of government mandated trade and barter. How is such a policy implemented and accounted for in national accounts?

Answer:

The Republic of Macedonia does not have mandated counter-trade and barter agreements with other countries. However, export and import companies may engage in barter trade.

Please refer to Question 206.

Question 208

Have the changes in the Law on Foreign Trade Operations affected the description of Government involvement in counter-trade and barter trade deals provided in WT/ACC/807/2?

Answer:

The Government involvement in counter-trade and barter deals has not been changed since the period of preparation and submission of WT/ACC/807/2.

Question 209

Please confirm that while the Government Macedonia may support counter-trade and barter trade agreements between firms, that such arrangements are not mandated or required under law.

Answer:

Please refer to Question 206.

Question 210

Please indicate if imports and exports under these arrangements are subject to the same tariffs, fees, taxes, licensing and certification requirements, and other measures applied to normal trade.

Answer:

Imports and exports under barter-trade arrangements are subject to the same tariffs, fees, taxes, licensing and certification requirements, and other measures applied to normal trade.

(l) Government procurement practices

Question 211

Does the Republic of Macedonia intend to join the Agreement on Government Procurement as part of its accession to the WTO?

Answer:

At present, the Republic of Macedonia does not intend to join the Agreement on Government Procurement as part of its accession to the WTO. However, the Government of the Republic of Macedonia will examine eventual observer status /accession to the Agreement at a later stage.

Question 212

Macedonia states in WT/ACC/807/3 that its “Law on Public Procurements” was adopted on 4 June 1998.

Please provide a copy of this Law for WP review.

Answer:

The Law on Public Procurement will be available for examination by the Working Party members as part of Annex 2.

4. Policies Affecting Foreign Trade in Agricultural Products

Question 213

When will the Republic of Macedonia be in a position to submit the information required in WT/ACC/4 ?

Answer:

The WT/ACC/4 will be submitted to the WTO Secretariat prior to the first Working Party meeting.

(a) Imports

Question 214

Can the Republic of Macedonia advise the current level and volumes of agricultural products affected by price controls and protective prices?

Answer:

The legal basis for determining protective prices is provided in Article 24 of the Law on Trade. In general, prices of agricultural products are formed freely on the market. However, the Government provides for protective prices for certain agricultural products in order to guarantee to the producers that it would buy out their production if the prices went below the level of the protective price.

The products subject to protective prices are determined every year in the Macroeconomic Policy. In 1999 wheat and small-leafed oriental tobacco were subject to protective prices. The Macroeconomic Policy for 2000 anticipates protective prices for the same products.

For products with controlled prices, please refer to Question 9.

Question 215

Are producers compensated for the loss of income caused by price control and protective prices?

Answer:

The policy of maintaining protective prices has as an objective to compensate producers for the loss of income in case of low world market prices.

Question 216

Can the Republic of Macedonia provide more information on the operation of their protective prices for wheat, sunflower, sugar beet, lamb, veal and small leafed orient tobacco, including how the protective prices are determined?

Sunflower, sugar beet, lamb and veal are not subject to price control or protective prices. In 1999, as well as in the year 2000, protective prices are only applied on wheat and small-leafed oriental tobacco. Please refer also to Question 214.

Question 217

Can the Republic of Macedonia provide information on the additional specific tariffs applied in the agricultural sector, and explain why such specific tariffs are required in addition to ad valorem tariffs in place?

Answer:

Please refer to Question 71.

Question 218

The Republic of Macedonia indicates in WT/ACC/807/3 (Section IV.4.A) that quantitative export and import restrictions have been abolished and all agricultural and food products are on a "LB" regime (i.e. imports are free of any restriction).

What are the sensitive goods that are exempted from these regime?

Please refer to Question 219.

Question 219

Can the Republic of Macedonia provide a comprehensive list of products that have restriction on their importation or exportation?

Answer:

Lists of products subject to import and export licensing will be attached to Annex 3.

Question 220

For agricultural items, we expect that the Republic of Macedonia will apply an ordinary customs duty regime only (Article 4.2 of the Agreement on Agriculture) and bind all tariff from date of accession.

Please provide a product list of those items still subject to price control. Please ensure that this list is updated from the 1995 included on your submission.

Answer:

The Republic of Macedonia has started the preparation of its offer of concessions on goods and intends to submit it to the Working Party members after the first Working Party meeting.

Please refer to Question 9.

Question 221

Macedonia states in WT/ACC/807/2 that, for the purpose of safeguarding domestic production, 50 per cent of items subject to quotas in this document were agricultural and of a seasonal character.

Please explain what is meant by seasonal character. If quotas have been removed on these agricultural and seasonal products, have other import regulatory measures replaced the quotas?

Answer:

Please refer to Question 71.

Question 222

We were pleased to read in WT/ACC/807/3 that the Customs Tariff Act and the “Decision on Distribution of Goods into Forms of Exportation and Importation” abolished quantitative restrictions on agricultural and food products, since these are inconsistent with Article XI of the GATT and the WTO Agreement on Agriculture. We look forward to reviewing this legislation.

Is the Customs Tariff Law of 15 August 1996 reference in WT/ACC/807/3/Add 1 the same law referred to in this section of WT/ACC/807/3?

Answer:

Yes, it is. Please refer to Annex 2 which will update the previously submitted legislation.

Question 223

Is the “Decision on Distribution of Goods into Forms of Exportation and Importation“ the same legislation as “Decision-act for Dividing of the Goods in Forms of Import and Export (and list of goods) in the Field of Foreign Trade” listed in 807/3, section III:5? We look forward to an early submission of this legislation for WP review.

Answer:

Yes, it is. This document will be listed in Annex 2 that updates the previously submitted legislation as Decision on Classification of Goods for Imports and Exports.

Question 224

Please explain what is meant by the statement that “ all agricultural and food products are on LB regime, except for certain deficit and sensitive products for which the applicable regime is based on approvals”

Answer:

Lists of products subject to import and export licensing will be attached to Annex 3.

Question 225

What approval is required for the importation of “ deficit and sensitive products”? What products fall into these categories?

Answer:

Please refer to Annex 3.

(b) Exports

Question 226

Noting the information in WT/ACC/807/2 does the Republic of Macedonia currently have any export subsidy measures in place in the agricultural sector? If so, can recent details be provided?

Answer:

Export subsidies no longer apply.

Question 227

Does Macedonia continue to apply export subsidies? Are the programs reported in WT/ACC/807/2 still in place?

Answer:

Please refer to Question 226.

(e) Internal policies

Question 228

What steps is the Republic of Macedonia currently taking aimed at moving its domestic support measures towards less trade distorting policies as outlined in Annex II of the WTO Agreement on agriculture?

Answer:

WT/ACC/4 will be submitted to the WTO Secretariat prior to the first Working Party meeting.

Question 229

Please provide more information to the Working Party on agricultural support policies in the format of WT/ACC/4 document.

Answer:

WT/ACC/4 will be submitted to the WTO Secretariat prior to the first Working Party meeting.

Question 230

The information and data provided in this section of WT/ACC/807/2 and 3 will be very useful when Macedonia prepares the information on domestic support, following the format provided in the Secretariat technical memo WT/ACC/4. It is important that Macedonia follow the format in WT/ACC/4 closely, and provide as much information and detail in the tables, so as to facilitate the Working Party's review of these documents.

Please provide the information required in WT/ACC/4 and submit it for WP review prior to the first WP meeting.

Answer:

WT/ACC/4 will be submitted to the WTO Secretariat prior to the first Working Party meeting.

5. Policies Affecting Foreign Trade in Other Sectors

Question 231

Macedonia states that its textile industry, including fibers, fabrics and finished products, is a major employer and contributor to industrial social product (over 15 per cent).

How does Macedonia regulate import of textile products.

Answer:

The import of textile products in the Republic of Macedonia is not subject to restrictions. The Republic of Macedonia has no quantitative restrictions on imports of textile products.

Customs duties provided in the Law on Customs Tariff (Official Gazette of RM no. 38/96) and applicable since August 15, 1996 differ depending on the type of imported textile products. The simple tariff average of textile and textile products is 21.02 per cent ad valorem.

In 1998, the approximate value of imports of textile products, including semi-finished and finished products was US\$ 64 million or 3.3 per cent of the total imports in the Republic of Macedonia.

Question 232

Macedonia states that it has a significant leather and leather-processing industry and that pig, calf, cow, bull, lamb and sheep skins are all processed for the local manufacture of furniture, clothing and footwear.

Does Macedonia restrict or tax the export of raw hides and skins? Does Macedonia experience difficulties in importing hides and skins from other countries in the region? If so, what are these difficulties?

Answer:

The Republic of Macedonia does not restrict nor tax exports or imports of raw hides and skins. These products are under LB (liberal) trade regime.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

1. General

Question 233

Please provide copies of the following laws relevant to the trade related aspects of protection of intellectual property rights in Macedonia:

- **Law on Copyright and Related Rights;**
- **Law on the Protection of Topography of Integrated Circuits;**
- **Law on Trading Companies and Law on Trading;**

- **Law on Foreign Trade Operations;**
- **Criminal Code of the Republic of Macedonia;**
- **Act of Industrial Property;**
- **Regulations for Procedure of Recognition of the Trademark;**
- **Act of Industrial Property;**
- **Regulation for Procedure for Recognition of the Patent.**

Please review the attached checklist on TRIPS compliance and supply any other relevant legislation for WP review.

Answer:

The Regulation on Appellation of Origin will be available for examination by the Working Party members as part of Annex 2.

2. Substantive Standards of Protection

(a) Copyright and related rights

Question 234

Please provide timetable for expected adoption of ZAPSP (Copyright & Related Rights legislation).

Answer:

Please refer to Question 235.

Question 235

Is the Law on Copyright (LCRR) of 12 September 1996 the replacement for ZAPSP? If not, please explain the differences between these two pieces of legislation.

Answer:

The Law on Copyrights and Related Rights (the original title of the Law is "Zakon za avtorski prava i srodni prava" - ZAPSP) was enacted on 12 September 1996 (Official Gazette 47/96, 3/98). Since that date this Law is the only law that regulates the area of copyright.

The Law on Copyright and Related Rights will be available for examination by the Working Party members as part of Annex 2.

(b) Trademarks, including service marks

Question 236

Please explain your reasons for the 10 year limit on trademark.

Answer:

The protection of trademarks is not limited to a period of 10 years, neither is the validity of the trademark. The period of 10 years is the administrative period established for renewal of a trademark. This requires a fee for its further maintenance. The renewal of the registered trademark can be done unlimited times. This means that the validity of the trademark is unlimited.

Question 237

Referring to page 64, second paragraph of document WT/ACC/807/2, pls. Indicate whether the “entry in to the registry book “ of the transfer of a trademark has declaratory or constituent effect.

Answer:

Registration of the transfer of a trademark right in the Registry Book of Recognized Rights has a declaratory effect. The Agreement for transfer of the right is registered in the Registry Book in order to produce effect towards third parties, i.e. *erga omnes*.

Question 238

On page 64, third paragraph it is stated “ should the holder of the mark fail to use from non-justified reasons, the trade mark for marking the goods or services to which it reverse more than 5 years from the date of the entry in to the registry book, i.e. from the date when the mark have been used from the last time, a decision may be past upon request of the person concerned for termination of the mark “. Pls. explain if the date of entry in to the registry book or the date of the last use of the trademark is the relevant date for establishing the time period of five years. Pls. Clarify who are the “persons concerned for termination of the mark”.

Answer:

The date of record into the Registry Book of Recognized Rights, i.e. the date of the last use is relevant, because that date initiates the running of a 5 year period relevant for submitting a request for termination of the trademark on the grounds of non-use. Persons who may initiate the procedure are persons who have certain legal or commercial interests. For example, such a person might be a producer that has a product with a similar trademark and seeks entry into the market. In such a situation, the Bureau for Protection of Industrial Property or the Public Prosecutor may find that, without a good reason, the trademark has not been used for more than 5 years and thus grant entry to the market.

Question 239

On page 64, fourth paragraph it is mentioned “The decision for recognition of the right may be declared as invalid during the entire period of protection ex officio, upon proposal of the person concerned or by the public prosecutor”.

Answer:

The decision for recognized trademark shall be declared void if it has been issued without the conditions for recognition of the right in place, for example, if there is a previously recognized identical or similar trademark for the same or similar goods or services; if the registered trademark is unsuitable for distinguishing of goods or services in the trade; if publishing and using of the trademark is against the law or morality; if the mark defines only the type of the product; if the trademark corresponds to an official mark; state or other public arm, flag or emblem, name or abbreviation of a country or an international organization.

Question 240

On page 64, 5th paragraph it is mentioned that “the licence agreement has to be registered in the Registry Book”. Please, indicate whether this entity has declaratory or constituent effect.

Registration of a trademark licence agreement in the Registry Book of Recognized Rights has a declaratory effect. The licence agreement is entered in the Registry Book in order to produce legal effect towards third parties, i.e. *erga omnes*.

(e) Patents

Question 241

With reference to the statement on page 67 “The holder of the patent or the owner of the exclusive patent rights shall be obliged, within 9(nine) years the latest of the duration of the patent to submit to the Office written evidence that the registered patent fulfilled all the requirements set forth in the provisions of Articles 13,14,15 of the Act of Industrial Property” please name the requirements set forth in Articles 13-15 of the Industrial Property Act.

Answer:

Requirements prescribed in Articles 13, 14 and 15 of the Industrial Property Law (published in Official Gazette no. 42/93) refer to the conditions for patentibility and exemptions of the protection with the patent and they read:

Article 13

An invention representing a new technical solution for a certain problem, new plant sort and hybrid resulting from creative work, which is technically viable and which could be applied in industrial or other commercial activity shall be protected by a patent.

Scientific discoveries, scientific theories, mathematical methods, esthetic creations, plans, principles and methods for performing intellectual work, computer programs and forms for offering information, shall not be considered as inventions as set forth in Paragraph 1 of this Article.

Article 14

The invention shall be considered new if before filing the application for a patent, it has not been present in the technical domain.

It shall be considered that the invention is present in the technical domain when:

- 1) made available to the public by announcing, exhibiting, presentation or by use in a manner which enables the professionals to use the invention;
- 2) essentially is not different from the inventions filed previously or available to the public before filing the application, except inventions for which the application was withdrawn before the announcement of the decision by which the patent is recognized.

In the assessment whether the filed invention is new, the fact that the invention became available to the public, within a period of at least six months before the date of filing the application for a patent, without the consent of the inventor, shall not be affected.

Article 15

It shall be considered that the invention is a result of a creative work when the solution of the technical problem is apparently absent from the known situation in techniques for the expert.

It shall be considered that the invention could be applied in industry when the object of the invention is technically viable and can be manufactured or used in the economy or other field.

Question 242

With reference to page 67 penultimate paragraph, please specify the requirements for the granting of a compulsory licence.

Answer:

In the Industrial Property Law compulsory licences are regulated by the following provisions:

Article 113

Should the holder of the patent, himself or through someone else, fail to use or insufficiently uses the invention protected by patent in the Republic of Macedonia, the right of use may be granted to another person, with the obligation to pay compensation to the holder of the patent (compulsory licence).

It shall be considered that the invention is not used, i.e. that it is insufficiently used in the Republic of Macedonia if:

- 1) the holder of the patent refuses to renounce the right to other persons of using the protected invention or imposes unjustified conditions;
- 2) in the Republic of Macedonia the demand for objects produced in accordance with the protected invention is satisfied to a greater extent with import or the import of these objects disables or prevent their industrial production in the Republic of Macedonia.

A compulsory licence may be granted to a legal or natural person who can present proof that it has technological possibilities and production capacities required for use of the invention protected by the patent.

A compulsory licence shall not be granted if the holder of the patent proves that there are legal reasons that justify the disuse or insufficient use of the invention protected by a patent.

Article 115

The compulsory licence cannot be exclusive.

Article 117

The request for granting a compulsory licence may not be lodged prior to the expiration of the term of four years as of the day of the submission of the application for a patent, i.e. prior to the expiration of three years as of the day of the recognition of the patent, should this term expire later.

(h) Requirements on undisclosed information, including trade secrets and test data

Question 243

Referring to page 68, section (b) please explain how the provision of Art.39.3 of the TRIPS Agreement is complied with.

Answer:

The protection of undisclosed information (undiscovered tests and other data) of pharmaceutical or agricultural chemical products submitted to governmental agencies, from unfair commercial use is provided by the provisions of the Law on Trade (published in Official Gazette no. 23/95, 30/96, 43/95, 23/99, 43/99) regulating unfair competition (Articles 31, 34 and 37), the Law on Unfair Competition (Official Gazette 80/99) and Articles 23-24 of the Law Against Limiting the Competition (Official Gazette 80/99). These Laws are in accordance with the Article 10bis of the Paris Convention. In addition, protection of undisclosed information and records at pharmaceutical products is provided by the Law on Medications, Remedial Medicines and Medical Devices (Official Gazette 21/98).

VI. TRADE-RELATED SERVICES REGIME

1. General

Question 244

Can the Republic of Macedonia elaborate on the conditions regarding the employment of professional staff to conduct foreign trade?

Answer:

Employment conditions in Macedonia do not differ in principle, between activities involving foreign trade and any other commercial activities. As far as foreigners concerned, these conditions are regulated in the Law on Employment of Foreigners (Official Gazette no.11/78 and 64/89).

A foreign citizen may be employed if he/she fulfills the relevant legal conditions, the conditions established in collective bargaining agreements, and the special conditions determined by this Law.

A foreign citizen may be employed if he/she has an approval for permanent residence or temporary stay and if he/she obtains an approval for employment.

As an exception, no approval is required if a foreigner performs the following activities and has been granted permanent or temporary residence:

- business and technical cooperation;
- long-term production cooperation;
- transfer of technology; and
- investing foreign capital.

A foreigner with a permanent resident status shall submit his/her own request for approval of employment, while an employer shall submit a request for a temporary resident. An approval will be issued for the envisaged period of stay.

The employment must be governed by an employment contract.

A foreigner shall sign a statement, that in case of dispute he/she shall accept the authority of the competent court of the Republic of Macedonia.

The employer is obligated to submit data regarding the number, main elements and duration of the employment contracts to the Employment Bureau of the Republic of Macedonia.

Question 245

We seek information on the Republic of Macedonia's business licensing regime. We seek assurances that, according to the MFN principle, the regime does not discriminate among foreign service providers? We also seek information as to whether there is national treatment in the area of licence fees?

Answer:

For business licensing please refer to Annex 7.

With respect to licence fees, the principle of national treatment is applied.

Question 246

Can the Republic of Macedonia provide information on these issues?

Answer:

Please refer to Question 245.

Question 247

Can the Republic of Macedonia provide clarification of the conditions relating to commercial establishment, for example :

Are any sectors open to foreigners only if they form a joint venture with the Republic of Macedonia companies?

Answer:

Please refer to Question 184.

Additional explanations will be provided in Annex 7.

Question 248

Are there any foreign equity limits in establishing a commercial presence for any sector?

Answer:

Please refer to Question 184.

Additional explanations will be provided in Annex 7.

Question 249

What commitments does the Republic of Macedonia intend to provide in this area?

Answer:

The Republic of Macedonia has started to work on its Schedule of Specific Commitments.

Question 250

Are there any service sectors subject to restriction on modes of supply (Cross - border supply, commercial presence, etc.)?

Answer:

Detailed information will be provided in WT/ACC/5.

Question 251

What are the rules concerning temporary residence in the Republic of Macedonia by foreigners engaged in trade in services?

Answer:

Foreigners, who intend to come to Macedonia to perform professional activities or for other reasons justifying a longer stay in the Republic of Macedonia, may apply for a temporary residence. In addition to the request for a temporary residence clearance, a foreigner shall also submit proof justifying the reason for submitting the request, as well as that the funds for his/her subsistence have been provided. A temporary residence clearance is valid for up to one year and may be extended. A temporary residence clearance is issued by the Ministry of Internal Affairs and it is governed by the Law on Movement and Residence of Foreigners. (Official Gazette of the Republic of Macedonia no. 36/92; 66/92; 26/93).

Question 252

What rules and regulations apply to the provision of health, education, distribution, environmental and business services?

Answer:

Rules and regulations referring to the above-mentioned sectors will be provided in Annex 7.

Question 253

We will be seeking scheduled market access and national treatment commitments regarding construction services.

Answer:

Macedonia is currently assessing its ability to undertake commitments in this as well as other services sectors. The results will be reflected in its draft Schedule of Specific Commitments.

Question 254

Can the Republic of Macedonia clarify whether foreign service providers are permitted to gain registration for these activities and what policies, if any apply to the recognition of foreign qualifications in the construction industry?

Answer:

Foreign construction companies are allowed to register in the Republic of Macedonia. The recognition of foreign professional qualifications and degrees is subject to bilateral agreements with the countries concerned.

Question 255

We will be keen to see commitments in professional services including legal services and accountancy.

Answer:

See reply to Question 253.

Question 256

What limitations are there on the provisions of accountancy, legal and engineering services?

Answer:

A detailed assessment of access restrictions which may fall under Articles XVI and XVII of GATS is currently being carried out. Macedonia also maintain licensing and qualifications requirements in these sectors to ensure adequate levels of professional performance. Relevant laws and regulations are listed in Annex II.

Question 257

Does the Republic of Macedonia have plans to liberalize the limitations on the provision of these services?

Answer:

In preparing its draft services schedule, Macedonia is examining the possibilities of liberalizing these services.

Question 258

What is the Republic of Macedonia's approach to the recognition of qualifications of foreign professionals?

Answer:

Professional qualifications acquired in regular state schools and private schools abroad, recognized by a state in which schools operate, are acknowledged in compliance with the Law on Primary Education, Law on Secondary Education (Official Gazette 44/95) and Law on Secondary Specialized Education. Under these Laws, foreign citizens are entitled to request recognition of

certificates and diplomas obtained abroad, as if they were Macedonian certificates. This recognition is provided by the Ministry of Education and institutions of high education and scientific research.

When verifying and recognizing foreign certificates and diplomas, the following elements are taken into consideration:

- the educational system of the country where a diploma or a certificate was obtained,
- the duration of the education,
- the curriculum,
- the rights conferred to the holder of the certificate or diploma in the country in which the certificate or diploma was obtained, as well as
- other relevant circumstances.

If, in the course of the verification procedure, it is concluded that the foreign curriculum significantly differs from the corresponding Macedonian curriculum, the recognition of the certificate or diploma depends on passing additional examinations to insure that the difference is eliminated.

Question 259

Are foreign lawyers, who have qualified in foreign countries other than Macedonia, permitted to provide legal services? If so, the requirements, criteria (i.e. what kinds of services foreign lawyers are permitted to provide) and limitations on their activities should be informed.

Answer:

Article 11 of the Law on the Bar 1992 (Official Gazette of the Republic of Macedonia, No. 80/92) provides for the following: "Lawyers from other countries may provide legal assistance and practice law in the territory of the Republic of Macedonia under terms of reciprocity to be determined by the Bar Association of the Republic of Macedonia".

Article 13 of the By-law of the Bar Association of the Republic of Macedonia provides that the Bar Association shall determine the reciprocity of legal assistance provided by legal representatives from other countries on the territory of the Republic of Macedonia, taking into consideration that legal assistance from other associations is freely provided under conditions of equality and mutual respect.

Drafting of a new Law on the Bar is underway. The draft law will be submitted to the Working Party as soon as it has been prepared.

Question 260

Does Macedonia maintain any preferential agreements that cover services? If so, please list them and indicate the nature of the preferences.

Answer:

There are no preferential agreements that cover services as such.

Question 261

Please provide information on services in the format provided in WT/ACC/5 prior to the first WP meeting.

Answer:

Information as requested by WT/ACC/5 will be submitted to the WTO Secretariat prior to the first Working Party meeting.

- **Banking**

Question 262

Can the Republic of Macedonia clarify the difference between the banking activities which a foreign subsidiary and a foreign branch are permitted to perform?

Answer:

In compliance with Article 5 of the Banks and Savings Houses Act (Official Gazette of the Republic of Macedonia, No. 31/93; 78/93; 17/96; 29/96; 71/96; Decision of the Constitutional Court of the Republic of Macedonia U.no. 184/96-30/97; Decision of the Constitutional Court of the Republic of Macedonia U.no. 1/98-17/98; 37/98), a foreign bank may establish a branch with the status of a legal entity, and a representative office without the status of a legal entity.

The branch office does not have the authority to independently conduct payment transactions abroad. The branch office performs payment transactions abroad through a bank in the Republic of Macedonia that is authorized to directly conduct activities abroad, exclusive of payments made and received in foreign currency from the parent bank on the grounds of capital relations.

A representative office of a foreign bank is not a legal entity and cannot perform banking activities. Such representative offices perform activities pertaining to representation, provision of information and affirmation of the parent bank.

Question 263

How are banks authorized to “deal abroad”?

Answer:

Please refer to Question 266.

Question 264

Please explain under what types of legal entities banks can establish in Macedonia? What is the meaning of “banks are established as companies limited by shares”?

Answer:

Any foreigner may establish a commercially incorporated, independently capitalized bank in Macedonia. In addition, foreign banks may decide to set up branches or representative offices.

Please, also refer to Questions 262 and 265.

Question 265

Please explain the meaning of “There are no restrictions imposed on the foreign investment in the total amount of the bank’s nominal capital.”

Answer:

Pursuant to Article 4 of the Banks and Savings Houses Act (Official Gazette of the Republic of Macedonia, No. 31/93; 78/93; 17/96; 29/96; 71/96; Decision of the Constitutional Court of the Republic of Macedonia U.no. 184/96-30/97; Decision of the Constitutional Court of the Republic of Macedonia U.no. 1/98-17/98; 37/98) banks are founded as shareholding companies under the terms set up by this Act. In this sense, there are certain limits with respect to the shareholding structure of the banks, which are:

- the amount of preferential shares of a bank that legal or natural person, foreign or domestic can have, may not exceed 20 per cent of the bank's equity capital;
- the share of a single shareholder, legal or natural person, foreign or domestic, may not exceed 20 per cent of the bank's equity capital in cash with a right to participate in the management of the bank;
- when a founder is a foreign bank, its share in the equity capital may exceed 20 per cent, but must not be more than 65 per cent of the equity capital.

The above mentioned, indicates that, in principle, in the Republic of Macedonia it is thus possible to establish banks with 100 per cent foreign capital, taking into account the aforementioned limits.

Question 266

Branches are usually no juridical persons (see also GATS Art. XXVIII.(d)) Pls. Explain how this relates to your statement that "branch has the status of a legal entity". Are branches restricted in any other activity than with regard to external payment operations?

Answer:

A branch of a foreign bank gains the status of a legal entity by its registration in the court. The type of banking operations performed by a branch depends on the type of licence granted by the National Bank of the Republic of Macedonia (NBRM), which in turn depends on the amount of the equity capital of the branch. The amount of the equity capital must be provided in cash, necessary for founding and operating a bank. The equity capital of a branch of a foreign bank must not be below the MDen equivalent of DM 7.000.000, calculated according to the exchange rate of the NBRM, at the day the application is submitted to the court registry. For granting a licence to conduct payment operations, as well as credit and guarantee operations abroad, the liquid equity capital of the bank, i.e. a branch of a foreign bank, must not be below the MDen equivalent of MDen 21.000.000, calculated according to the exchange rate of the NBRM on the day the application for licence is submitted.

Operations of branches are regulated by the Banks and Savings Houses Act. All provisions that regulate operations of banks also apply to operations of branches, unless it is otherwise stipulated by the Act.

- **Insurance**

Question 267

Is our understanding correct that only nationals (natural or juridical persons of Macedonia) are allowed to establish insurance companies in Macedonia? Pls. Explain the type of establishment that is required ("companies limited by shares").

Answer:

According to the Law on Insurance (Official Gazette of the Republic of Macedonia No.49/97, 79/99), domestic and foreign natural and legal persons are allowed to establish insurance companies. The insurance companies are established as joint stock companies in which stockholders can enjoy their rights depending on their share in the company.

See also answer to Question 268.

Question 268

Please explain in more detail the mixed insurance companies that foreigners are allowed to participate in. Is there a limitation in foreign capital?

Answer:

The term “mixed companies” was used in the Law on Insurance from 1993. Under the new Law from 1997 all insurance companies established in the Republic of Macedonia, regardless of the ownership of the capital are considered domestic.

The individual share of each stockholder (legal entity or natural person) can go up to 25 per cent of the stocks with a right of management. In case of a foreign insurance company the share may go up to 65 per cent and, as an exception and with a special approval from the Minister of Finance, up to 80 per cent of the stocks with right of management.

The total participation of the foreign capital in an insurance company can be maximum 65 per cent, or 80 per cent with a special approval of the Minister of Finance.

Question 269

Is the supply of reinsurance service reserved to National Insurance companies?

Answer:

Only reinsurance companies established and registered in the Republic of Macedonia, irrespectively to the nationality of their founders, and licenced for reinsurance activities can provide reinsurance services in the Republic of Macedonia.

- **Telecommunications**

Question 270

Could the Republic of Macedonia clarify what liberalization will be forthcoming in the draft Law on Telecommunications described in WT/ACC/807/2, page 78? Will the Law provide national treatment to foreign service providers and observe the MFN principle?

Answer:

The Law on Telecommunications, enacted in 1996 and amended in April 1998 (“Official Gazette of the Republic of Macedonia” No. 33/96, 17/98, 22/98) allows competition in providing telecommunication services. Article 23 of the Law states that a concession is needed for building, possessing and operating a public telecommunication network and providing public telecommunication services. Both, domestic and foreign legal entities and natural persons may obtain

a concession. The relevant terms and conditions for obtaining a concession set by the Telecommunications Directorate and approved by the Minister of Transport and Communications are published in the Official Gazette of the Republic of Macedonia. The Telecommunications Directorate determines if a potential contractor meets these terms and conditions. Then, concessions are granted by the Minister of Transport and Communications based on a proposal from the Telecommunications Directorate within the Ministry.

Domestic and foreign investors in the area of telecommunications have equal rights and obligations, and their access to the market is administered in an objective, transparent and non-discriminatory manner.

However, according to the Law, the existing Public Telecommunication Operator (PTO) - "Makedonski Telekomunikacii" has an exclusive right to provide fixed voice telephony services; telegraphy services, telex services; public pay phone services and leased line services, as well as to build, possess or work with fixed public telecommunication networks until 31 December, 2005.

The Law on Telecommunications sets forth the terms and conditions for operating, constructing, maintaining and utilizing telecommunication network and defines the relationship between providers and users of telecommunication services; competition; universal service obligations; issuance of concessions; management, utilization and control of the radio frequency spectrum; production, import, sale, use and maintenance of radio stations and terminal equipment; and other issues related to the telecommunications sector.

Foreign legal entities and natural persons are allowed, according to the Law on Telecommunications, to purchase stocks, of the existing PTO. Foreign natural persons are allowed to become officials or employees and participate in the management of the PTO. The PTO is not subject to any restriction on the grounds of foreign participation in its capital or management, nor of capital participation of legal entities.

Question 271

Could the Republic of Macedonia clarify the conditions which are placed on the participation and investment in the telecommunication sector by foreign persons by the Law on concessions and the Law on foreign investment?

Answer:

Please refer to Question 270.

Question 272

Please explain the draft Law on Telecommunications currently under consideration by the Parliament in more detail. What is the scope and schedule foreseen for liberalization of telecommunication sector? Will foreign suppliers be allowed to participate in the market and under what conditions?

Answer:

Please refer to Question 270.

VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

1. Bilateral or Plurilateral Agreements Relating to Foreign Trade in Goods and Trade in Services

Question 273

Please provide the Working Party with an update on trade agreements with third countries started, initiated, or signed since the submission of the Foreign Trade Memorandum.

Answer:

Lists of trade agreements with third countries are indicated below.

List of Free Trade Agreements

| Country | Signed | Published | Enter into force |
|--|------------------|----------------------------|---|
| The Republic of Slovenia | 1 July 1996 | Official Gazette No.48/96 | 1 December 1999 (the Agreement was implemented on temporary basis since the day of signing) |
| The Federal Republic of Yugoslavia | 4 September 1996 | Official Gazette No. 59/96 | 31 January 1997 |
| The Republic of Croatia | 9 May 1997 | Official Gazette No.28/97 | 30 October 1997 |
| The Republic of Turkey | 7 September 1999 | Official Gazette No.83/99 | The implementation will start upon expiration of one month after the ratification by the Contracting Parties. |
| The Republic of Bulgaria | 13 October 1999 | Official Gazette No.83/99 | 29 December 1999 |
| European Union - Cooperation Agreement | 29 April 1997 | Official Gazette No. 37/97 | 1 January 1998 |

The Republic of Macedonia has started negotiations on free trade agreements with the EFTA countries and Ukraine and plans to start negotiations with Romania in May 2000.

The Republic of Macedonia has started renegotiations on the Free Trade Agreements with the Federal Republic of Yugoslavia, the Republic of Croatia and the Republic of Slovenia. Changes and additions will be namely on the rules of origin, the procedure for allocation of tariff quotas for agricultural and food products, using the "first come-first served" principle, quantity of trade under tariff quotas and the level of customs rates for agricultural and food products. As these changes will have a certain impact in the domestic agricultural and food sector, it will be necessary to make adjustments in the development of new capacities.

List of Trade and Economic Cooperation Agreements

| Agreement | Signed | Published | Enter into force |
|---|-------------------|-------------------------|---|
| Agreement on Trade and Economic Cooperation with the Russian Federation | 28 May 1993 | Official Gazette 49/93 | 28 October 1994 |
| Agreement on Trade and Economic Cooperation with the People's Republic of China | 31 May 1995 | Official Gazette 60/95 | 14 April 1996 |
| Agreement on Trade and Economic Cooperation with Switzerland | 8 January 1996 | Official Gazette 17/96 | 1 September 1996 |
| Agreement on Trade and Economic Relations and Cooperation with Hungary | 7 May 1996 | Official Gazette 55/96 | 17 February 1997 |
| Agreement on Trade and Economic Cooperation with Romania | 27 September 1996 | Official Gazette 8/97 | 19 March 1997 |
| Agreement on Trade and Economic Cooperation with Ukraine | 3 June 1997 | Official Gazette 50/97 | 6 February 1998 |
| Agreement on Economic, Agricultural, Industrial, Technical and Technological Cooperation with Austria | 3 June 1997 | Official Gazette 55/97 | 1 July 1998 |
| Agreement on Trade with the Czech Republic | 19 September 1997 | Official Gazette 61/97 | 10 December 1997 |
| Agreement on Trade and Economic Cooperation with Albania | 4 December 1997 | Official Gazette 15/98 | 3 April 1998 |
| Agreement on Economic Cooperation and Trade with Poland | 28 November 1996 | Official Gazette 15/98 | 3 April 1998 |
| Agreement on Trade Cooperation with Malaysia | 11 November 1997 | Official Gazette 7/99 | 15 February 1999 |
| Agreement on Economic Development Cooperation with Taiwan | 9 June 1999 | Official Gazette 44/99 | 9 June 1999 |
| Trade Agreement with Egypt | 22 November 1999 | Official Gazette 7/2000 | Ratified by the Republic of Macedonia on 27 January 2000. Will enter into force upon ratification by Egypt. |

Question 274

Please describe briefly the content of each of the Agreements mentioned in the answer to the above question.

Answer:

Description on the content of each free trade agreement will be provided in Annex 8.

Question 275

We note that custom preferences are applied in trade with Slovenia, FR Yugoslavija, Croatia and Bosnia and Herzegovina, in some cases with very limited application in the agricultural sector.

Do these arrangements result in free trade between the parties (i.e. elimination of barriers on substantially all trade?)

Answer:

The Republic of Macedonia has Free Trade Agreements with the Republic of Slovenia, the Republic of Croatia and the Federal Republic of Yugoslavia, that are in force. In these Agreements products classified under Chapters 1-24 of the HS System are subject to mutual concessions given in accordance with tariff quotas. As mentioned in question 274, the Republic of Macedonia has started renegotiating these three Agreements.

The Republic of Macedonia does not have a free trade agreement signed with Bosnia and Herzegovina.

Question 276

If not, what plans does the Republic of Macedonia have to bring these arrangements into conformity with GATT Article XXIV?

Answer:

The Republic of Macedonia will take into consideration the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in its free trade agreements.

Question 277

Macedonia has a number of preferential trade arrangements and is currently negotiating one with the European Union.

Please list and describe the provision of any agreements that provide for tariff or other trade references on goods as provided in Annex 8 of WT/ACC/1, prior to the first WP meeting.

Answer:

Please refer to Questions 273 and 274 and Annex 8.

Question 278

Please describe the provisions of Macedonia's FTAs with Croatia and Slovenia.

Answer:

Please refer to Questions 273 and 274 and Annex 8.

Question 279

We note that the Republic of Macedonia has a number of country specific tariff quotas with Slovenia, Croatia and FR Yugoslavia. We do not consider that these arrangements can be

justified under Article XXIV of the GATT, as agriculture is virtually excluded from the free trade provisions of these agreements.

Does the Republic of Macedonia have any plans to expand the coverage of agriculture under these agreements so that free trade is achieved between the parties in this sector?

Answer:

Under the Free Trade Agreements concluded between the Republic of Macedonia and the Republic of Slovenia, the Republic of Croatia and the Federal Republic of Yugoslavia the imports and exports of agricultural and industrial products are subject to tariff quotas which are determined every six months. They shall be gradually abolished as provided in Annexes to the above mentioned Agreements.

For more information, please refer to the original texts of the Free Trade Agreements which are available for consideration by Working Party members in the WTO Secretariat, Accession Division, Office No.1124.

Question 280

What is the nature of the quotas listed in Annex II, appendix 3(a) on imports from the Federal Republic of Yugoslavia, i.e., are these tariff rate quotas like those applied to imports listed in Annex II from Slovenia and Croatia, or are they maximum permissible import quotas on imports?

Answer:

The quotas listed in Annex II, appendix 3(a) on imports are tariff quotas like those applied to imports listed in Annex II from Slovenia and Croatia.

Question 281

Annex II, appendices 1 and 2 of 807/3 lists quotas for 1999 administered by Macedonia for imports from Croatia and Slovenia

Please confirm that these “quotas “ are actually tariff-rate quotas for certain products (agricultural and foodstuff) under Macedonia’s bilateral free trade agreements with Slovenia and Croatia.

Answer:

The quotas listed in Annex II, appendices 1 and 2 of 807/3 are tariff quotas.

Question 282

Please confirm that when zero duty imports from these countries reach the level specified in Annex II that all further imports, even from these countries, must be made under MFN rates of duty .

Answer:

Once the allocated tariff quotas have been utilized in full, other imports of products are subject to MFN rates of duty.

Question 283

Please indicate if the quotas listed in Annex II, appendices 3 (a) and 3 (b) with the Federal Republic of Yugoslavia are of the same nature. If not, please clarify the difference.

Answer:

The quotas listed in Annex 2 appendix 3 (a) and 3(b) for trade with the FR Yugoslavia and the quotas listed in Annex 2 for the Republic of Slovenia and the Republic of Croatia are both tariff quotas.

Question 284

Please cite the legal authority used to administer the quotas listed in Annex II.

The Bilateral Trade Cooperation Division in the Ministry of Trade has the authority to administer quotas listed in Annex II. It establishes levels of tariff quotas under the Free Trade Agreements, while the Trade Policy and Regime Division issues licences for tariff quotas and follows their utilization.

Question 285

Is Macedonia considering ways to minimize the possible trade diverting effects of preferential trade arrangements, especially if external MFN tariff rates are high?

Answer:

The Republic of Macedonia will consider ways to minimize possible diverting effects of preferential trade arrangements.

Question 286

Concerning the tariff rate quotas listed in Annex II that specify the limits of duty free trade in certain products with Slovenia and Croatia:

Please indicate how this arrangement meets the provisions of Article XXIV of the GATT which specifies that tariffs and other such measures should be eliminated from "substantially all trade".

Answer:

Please refer to Question 276.

Question 287

Does Macedonia maintain any non - MFN trade relations with the Federal Republic of Yugoslavia? If so, please describe them. Please clarify if the quotas listed in Annex II, appendices 3(a) and 3(b) are quantitative restrictions or duty - free tariff rate quotas like those applied to certain imports from Slovenia and Croatia.

Answer:

Please refer to Questions 280 and 283.

Question 288

Please indicate if Macedonia will join the Agreement on Trade in Civil Aircraft upon accession to the WTO?

Answer:

At present, the Government of the Republic of Macedonia does not intend to join the Agreement on Trade in Civil Aircraft upon accession to the WTO. However, the Government of the Republic of Macedonia will examine to seek observer status/accession to the Agreement at a later stage.

ATTACHMENT 1

The Macroeconomic Policy of the Republic of Macedonia for 2000

I. Conditions and Anticipations

The crises in the region, which culminated in the first half of 1999, to a greater or to a smaller extent, will have an impact on the status and conditions in which the development will continue in the year of 2000. Nevertheless, globally viewed, the realization of the Macroeconomic Policy for 2000 expects to be developed in a more favorable domestic and foreign environment than it was in 1999.

However, the regional crisis with its negative impacts over the economy and development in general is behind us. For a greater number of activities, branches and commercial entities, the conditions in 2000 will be much favorable than the same in 1999. The negative consequences from the crisis in the region will be present and felt in separate segments of the economy for a longer period of time, which means in the year of 2000, as well. Thus, together with the influence from the transferred problems and limiting factors on various grounds, they make the conditions quite complex and difficult.

The plan is to enter in the year of 2000 with defined global directions, determinations and measures. Namely, at the beginning of the year, the following documents and programs are expected to be adopted: the Development Program of the Republic of Macedonia for the period 1999-2003, the Strategy of the Republic of Macedonia for its Involvement in the European Integration Processes (economic and social section), while the Export Strategy has already been adopted.

The Government of the Republic of Macedonia in the year of 2000 will give a special place to the completion of the systemic frame, which is in the function of the market economy. With respect to this, certain current solutions will be changed and also several new systemic and other laws will be adopted or changed in the year of 2000, such as: the Law Against Corruption, Law Against Money Washing, Law on Foreign Exchange Operations, Law on Small-Scale Industry, Law on Stimulating the Technological Development, Law on Issuance of State Securities, Law on Issuance and Trade with Securities, Law on Profit of Corporations, Law on Tax Administration, Law on Labor Relations, Law Against Monopolies. The following laws will be changed or amended: the Law on the National Bank of the Republic of Macedonia, Law on Banks and Saving Houses, Law on Executive Procedure, Law on Customs, Law on Customs Tariff, laws from the field of taxes, Law on Social Protection, Law on Health Protection, Law on Health and Disability Insurance Fund, Law on Bankruptcy, Law on Denationalization, Law on Agricultural Land, Law on Construction Land, Law on National Registries, Law on Entrepreneurship, etc.

For the purpose of bestowing familiar working conditions to commercial entities from the beginning of the year, the biggest number of regulations and laws that are compatible with and in the function of realization of the goals and duties of the macroeconomic policy shall be adopted simultaneously with its adoption or immediately after that.

Several systemic laws and regulations shall be adopted as well, for the purpose of increasing the legal security of investments, protection of creditors and simplification of the procedure for small and medium enterprises. The expected entry of several strategic investors in domestic companies shall produce the desired and expected effects.

The surrounding of our country would be improved. For the purpose of creating more relaxed relations, special efforts shall be made in improving the economic relations with other countries, and especially in maintaining good relations with the neighbouring countries.

From the aspect of the relations with abroad, we expect the newly concluded economic agreements to provide access on markets, especially the Free Trade Agreements (Turkey and Bulgaria) and the ones that are to be concluded with other countries in the future.

The reconstruction of the region and in frames of this, the new opportunities that occur through participation in various projects (Stability Pact) shall allow for increased business activities for a number of commercial entities from the country. The estimated movements in the world economy and in those frames, the movements in the countries of the EU, as the greatest partner of ours, are adding to the anticipations of a more relaxed foreign environment in 2000.

Also, the effects from the agreements for free economic zones, which implementation will accelerate the development and increase the export and employment are expected to appear in 2000.

It is also planned to intensify the activities for better cooperation with countries of the EU, with the USA and other developed countries, with a special focus on increasing of export quotas for certain important products for the country and decrease of the protection measures (textile, iron, steel, wine, lamb meat).

Nevertheless, the development in 2000 will be faced again with the long-term problems present here, although not so intense as in 1999.

Besides this, the realization of the macroeconomic policy in 2000 will be determined/conditioned by a number of limiting factors. The low level of export of goods and services will be a serious limiting factor, contrary to the increased production, both from the aspect of sale and the high deficit.

Also there will be negative effects from the increase of prices of oil on the international market, especially on the competitive capability of the export.

Some negative impact on the commercial activities is expected from the long-term present insolvency in general and insolvency of certain commercial entities.

II. The Macroeconomic Policy in 2000

Basic Duties

Starting from the already achieved results and the current condition in the field of macroeconomic equity and stability, and implementation of the structural reforms, and also taking into consideration the problems which the development is faced with, the anticipated external and internal conditions, as well as the other evaluated opportunities and anticipations, the basic duties of the macroeconomic policy and the policy of the structural reform for 2000 are the following:

1. Creation of conditions and opportunities for normalization of the production, strengthening the growth of the GDP in total and per separate activities and branches, and based on that, increase of the number of employees and decrease of the people who need a job, growth of export of goods and services and improvement of the living standard of the population. For the realization of this goal, active participation of commercial entities from the country is expected, in reconstruction of the region, successful realization of the Program for restarting the industrial capacities, creation of grounds for new investment projects, especially in the small and medium enterprises, through greater engagement and mobility of domestic accumulation, inflow of foreign capital on various basis; restructuring, revitalization, modernization and financial consolidation of the existing capacities, as well as institutionalization of economic relations with abroad. Related to this, there will also be

continual and more aggressive promotion and advertising activities for improvement of the export and investments.

2. Creation of conditions for maintenance of the macroeconomic equity and stability, which are based on the increase of the domestic offer, which will be put on a higher level and on more permanent grounds. For achievement of this goal, simultaneously with the creation of conditions for maintenance of the trend of growth of production and services rendered, we shall continue to control to a certain degree the aggregated consumption. This shall be realized through reconciliation of salaries with the movements of living expenses and real opportunities, except the salaries of entities with mainly private capital, keeping the fiscal consolidation on a higher level, maintaining the stability of the domestic currency.
3. The progress of reforms shall be given a priority, as a basic condition, so that the previous two tasks may be established on more permanent grounds, where a special accent shall be placed on: revising the existing normative solutions; post-privatizing restructuring of enterprises and their financial consolidation, finalizing the privatization of agricultural cooperatives and other entities, which privatization is still in process or has not begun, yet, control of certain entities, which privatization has been completed; acceleration of sale of the state capital; definition of strategic investors in privatized enterprises; privatization, sale or termination of big loss-makers. In the banking sector, the privatization will be more and more based on the fast entry of strategic investors, instead of privatized clients, strengthening of the process of joining/merging for the purpose of faster consolidation, as well as opening a process of increased competition in this sector decrease of high commissions when the interest rates are concerned.

Income Policy

a) Salaries

The salary policy in 2000 shall be in the function of maintaining the macroeconomic stability, and for this reason, one part of employees will still receive limited salaries.

Due to this, the Law on Salaries shall remain valid and the salaries of employees in the commercial and non-commercial sector shall be paid in compliance with the legal provision and Bargaining Agreements. The monetary stock for salaries of employees in the state administration shall be set at the level from 1998. The effects of the reform in the public administration shall create conditions for differentiation and increased motivation of employees in compliance with their contributions to the work in general.

b) Prices

The global policy on free price formation shall continue in 2000, but still there will be a certain type of control over the prices of a small number of products and services, which are important for the living standard of the population and have a kind of monopolistic position on the market. The annual inflation (December/December) is being projected on 3,65 (average increase per month of 0,3%) while the level viewed from January/December 2000 compared to January/December 1999 is projected on 4%.

With the application of the regime of direct control in 2000, the prices of the following products and services shall be established: flour - type "500" and bread produced of this type of flour and net. weight 600g; railway transport; PTT services - except the services of the public mobile telephony that are not realized through stationary networks; production and distribution of raw water, production and distribution of drinking water, cleaning and eduction of waste waters - except for

collectors, waste, mortuary services, including the expenses for the tomb and its lease, the bonus from obligatory insurance of vehicles.

The price for electric power, oil products, distribution of natural gas, distribution of heating and exploitation of geological and thermal water shall be formed in compliance with the Methodology for Price Formation for Certain Types of Energies. A committee established by the Government of the Republic of Macedonia especially for this purpose shall decide upon these issues.

The price of electric power includes in itself the development component in accordance with the credit contract, through which assets shall be provided for paying off the credits for construction of energetic facilities.

The price of the following products shall be under the announcement regime: pasteurized milk, production of medicines and pharmaceutical chemical products (finalized medicines for the human medicine), rent for flats, transport of passengers in towns and their suburbs, distribution of books for primary and secondary education, the special fee paid when registering motor vehicles, commissions from the payment operations.

In case of a greater disturbance on the market by a certain product or a service, which is of vital importance for the life of population and falls under the regime for free price formation, may be temporarily placed under a regime for a certain type of control.

A new tariff system for sale of electric power shall be adopted, which will help in arrangement of prices for this type of energy, per categories of consumers.

If different goods and services, which prices are under the regime of direct control and formed on a level of municipality, start to decrease in comparison with the average prices of the same goods, i.e. services, gradual elimination of the disparity will be carried out.

Prescription of protective prices for certain agricultural products shall continue for the following products: cereal and small leaf oriental tobacco.

In the formation of protective prices, the conditions in which the goods are produced in the country shall be taken into consideration, and especially the prices of the same goods on the international market.

In the year of 2000, stock balance shall be prepared for the basic agricultural and food products, on the basis of which the deficiency and surplus of them will be determined, for the purpose of proposing and undertaking measures for reconciliation of the relations between the offer and demand for these products.

Fiscal Policy

The policy of slower growth of incomes for public expenditures, compared to the growth of the GDP shall continue in 2000, as well. During this process, the participation of incomes for public expenditures shall decrease for 0.7 percentage points and will be 35,0% of the GDP. At the same time, equity shall be achieved for all the users of the Budget funds for covering the public expenditures in the country. The deficit of approximately 4 billion MKD, which is expected in the Budget of the Republic of Macedonia based on the matured obligations for use of foreign credits shall be covered by using funds from international financial institutions.

Certain changes shall be made in the tax system for the purpose of realization of the anticipated fiscal policy in 2000. The value added tax shall be introduced and it will replace the sales

tax, from 1 April 2000, and at the same time it will require changes on the Law on Excises for its reconciliation with the value added tax.

The Methodology for determining the retail price of oil products will be changed, which will result in provision of relatively stable inflow of income from excises in the coming year.

The fiscal policy in 2000 shall be directed toward further increase of the efficiency of the tax administration in collecting the taxes for the purpose of decrease of income evasion.

For continual and sustainable fiscal deficit in 2000, a decrease of expenditures for public purposes shall be made. Besides this, the Budget will support the restructuring and developing activities.

The Budget of the country shall provide funds for salaries and reimbursement, which approximately, will be equal with the level of salaries from 1998. For the purpose of rationalization of Budget expenditures and initiation of the process of reforms in the public administration, a Program for Reforms in the Public Administration for 2000 will be prepared. The Budget has provided funds for realization of this project of 2% from the total Budget expenditures.

Also from the total expenditures of the Budget, 3.2% shall be allocated for reformation of the enterprise sector.

The developing function of the Budget shall be realized through capital expenditures, which will be directed toward financing of projects (railway, roads), support of agricultural production, construction of waterworks, initiation of the development of commercially least developed regions and support of small and medium enterprises (through programs for pre-qualification).

For support of the monetary policy from the Budget of the Republic of Macedonia, deposits shall be transferred to the National Bank of the Republic of Macedonia in the amount of 1300 million MKD on an annual level.

For support of the social policy in the following year, assets shall be provided for covering the increased expenditures for protection of socially vulnerable population, transfers into the Pension and Disability Insurance Fund and transfers for unemployed persons due to the structural reforms.

The relief of public expenditures shall be also realized also through decrease of the budgets of social funds. For this purpose, the activities in Health Insurance Fund related to the reform activities shall continue in the 2000, as well as the rationalization of the expenses. In the Pension and Disability Insurance Fund, the increased expenditures, due to the reforms in the economy and public administration, shall be provided through transfers from the Budget of the Republic of Macedonia, as well as from the assets of the privatization processes. Also, assets from the Budget of the Republic of Macedonia shall be provided for the increased expenditures in the Employment Bureau.

For increasing the efficiency and rationality in spending of assets allocated for unemployed persons and socially vulnerable families: the income on the basis of fictive expenditures shall be eliminated; stronger control shall be introduced and introduction of more severe punishments for false documentation, both for the bodies that issues it and for the citizens who present it.

Monetary Policy

The monetary policy in 2000 shall be more relaxed than in 1999 regarding the achievement of its general goals. Through optimal planning of the offer of money and credits the intention will be to

support the realization of the anticipated economic growth, but without disturbing the stability of prices in the last couple of years.

A real increase of monetary demand is expected in 2000 and a higher degree of monetization of the Macedonia economy.

The real increase of monetary demand in 2000 according to the anticipations would be 3.5%, while the nominal increase of the offer of money (monetary aggregate M1) would be 13.6%.

The orientation towards market instruments of monetary regulation shall continue, as well. For this purpose, credit limits shall be dynamically terminated, which will improve the market of treasury bills and other securities.

The total credits of banks approved to entities from the non-commercial sector may be increased for 6.162 million MKD in 2000, or approximately 18%, which will be in the function of a more dynamic economic growth.

The terms for maintaining and maturing of treasury bills shall be standardized, which will allow formation of prices of the treasury bills on a competitive ground.

The interest rates in the 2000 shall also be basic operational instruments of the monetary policy. The moderate market decrease of interest rates on the money market shall be supported by indirect measures of economic policy, especially with greater affirmation of the money market. This trend will probably continue as a result of the policy of stable foreign exchange rate of the denar, the relatively low inflation rate, the effects from the sale of the Stopanska Banka, the increased offer of foreign currency on the foreign exchange market.

A surplus of offer compared to a demand for foreign currency is expected in the 2000, mainly due to the capital inflow (donations and foreign investments). The net surplus of foreign currency is projected on 55.4 million MKD. The purchase shall be supported by a transfer of deposits from the state to the central bank in the amount of 1,4 billion MKD. With this, the anticipated increase of primary money shall be in the function of supporting the credit activity of banks.

Foreign Sector

The activities in the domain of the foreign sector in the 2000 shall be directed towards creation of conditions for more dynamic export and more reconciled relations in the stock exchange with abroad, increase of the foreign currency inflow as a result of export of goods, services and other, regular settlement of the current obligations towards abroad, selective credit indebtedness in the frames of the balance of payment capacities, entry of foreign direct investments, sustaining the stability of the denar exchange rate and increase of the foreign currency reserves.

The increase of export of goods and the other foreign currency inflow shall be achieved through the policy of the denar exchange rate, the policy for initiation of the export, the policy of protection of the domestic production, the policy of improvement of the commercial and other types of cooperation with certain countries and economic integrations.

The improvement of the export shall also be achieved through indirect economic measures, especially through the policy of payback of customs duty of imported raw materials for the production process, which then will be exported. As an exception there will be direct initiation of export of certain agricultural and food products, which are usually faced with justified protectionism measures and problems during the export.

For obtaining a greater inflow of foreign currency, the criteria for approval of export of goods through compensations and other specific matters abroad will be raised on a higher level.

Also, the activities for concluding free trade agreements with the countries members of EFTA, Romania, Albania, Bosnia and Herzegovina, Ukraine, etc, shall be intensified.

The signed free trade agreements with the Republic of Turkey and the Republic of Bulgaria shall be properly implemented.

The following free trade agreements shall be changed and amended: Free Trade Agreement with the Republic of Slovenia, the Republic of Croatia and the Federal Republic of Yugoslavia, for the purpose of their reconciliation with the principles of the World Trade Organization and their better functioning.

There is an intention for Macedonia to sign agreements for economic and trade exchange with countries, important partners to the RM, with which this has not been realized, yet.

Also the activities for accession of the RM to the WTO shall be accelerated, which will contribute to increase the export and participation in international processes.

The promotion activities of the export potentials of the Macedonian economy shall be strengthened in order to increase the export. Among the other things, we shall improve the cooperation with the International Trade Center, the priority shall become available on program basis and also all possible forms of presentation will be used (internet, etc).

There will be initiation of new round of negotiations for concluding a new agreement for export of textile in the USA. The unrealized export quotas of textile in the USA, due to the regional crisis in 1999, will probably be transferred in the year of 2000.

It will become possible the export of textile to the USA to exceed the agreed quotas if the fabrics are purchased in that country.

Conditions shall be created for accelerated building of free economic zones in the Republic of Macedonia.

The initiatives for foreign direct investments shall be supported (which will be realized in the frames of the Stability Pact). For this purpose, a list will be prepared containing the projects according to their priority for the country. This list will be a basis for preparation of other priority lists for projects important for the Republic of Macedonia, Republic of Bulgaria and the Republic of Albania.

Enterprises from the country will be encouraged and better organized for their participation in international tenders for reconstruction of the region, especially FR Yugoslavia and Kosovo.

The process of reconciliation of national standards and technical regulations on goods with the harmonized standards of the EU shall continue and the whole process will be more intensified. For these reasons, new laws shall be adopted, in order to regulate issues from the field of standardization, metrology, accreditation and technical requirements for goods, which will create conditions for application of standards and techniques in our production, already applied and used in the EU and other developed countries. At the same time, new conditions will be created for establishment, technical and personnel equipping of national bodies for standardization and accreditation as independent public institutions and the body authorized for metrology.

The import shall be obtained in the frames of determined proportions in the projections of the balance of payment for 2000. With the measures of protective and foreign currency oriented policy, a priority will be given to the import of raw materials and equipment that are not produced in the country, but which are needed for production planned for export, as well as for the restarted capacities according to the Program.

The import of goods shall be realized on the basis of appropriate application of criteria for its quality (obligatory possession of documents for standards and a-tests) and already provided assets and instruments for payment of it.

During the procedure for approval of compensation works abroad, a priority will be given to the import of goods, which are in deficit on the domestic market, raw materials of strategic importance, i.e. food products, as well as import of equipment which will contribute to the increase of export of products.

The additional acts for implementation of the new Law on Customs shall be prepared and adopted, which will create conditions for its implementation in the year of 2000.

The Customs Tariff shall be reviewed for the purpose of its reconciliation with the HS of the EU, but which will be at the same time in compliance with the capacities of our economy.

The National Bank of the RM will try, with a policy of intervention to maintain the stability of the exchange rate of the MKD.

With the policy of credit-financial relations, selective credit indebtedness shall be provided, in the frames of the balance of payment capacities and abilities, increased inflow of foreign direct investments and other non-credit forms and regular settlement of the obligations towards the foreign creditors. For this purpose, a Strategy for Indebtedness of the RM on Medium Terms shall be prepared which will review the current conditions, the regular settlement of the debt and possibilities for use of new credits.

New grounds will be created for achieving an arrangement with the World Bank and the IMF, which will support the structural reforms.

The promoting and advertising activities shall be intensified in order to attract foreign investors, and all that for increasing the inflow of capital based on foreign direct investments, portfolio investments and joined investments in the economy and on the basis of concession in the public sector.

The foreign currency reserves, which are managed by the National Bank of the RM, shall be used for interventions on the foreign exchange market in compliance with the monetary policy for maintaining the stability of the exchange rate of the MKD, as well as for maintaining the general solvency of payments of the country abroad.

Real Sector

In 2000, a special place will be given to the measures of the macroeconomic policy which will create conditions and grounds for providing healthy and strong real sector, through maintaining and strengthening the intensity of growth of the production and services and of the GDP. For achieving this goal, more favorable ground for investment ventures shall be opened, mainly in the small businesses and small and medium private enterprises, restructuring, revitalization, technical-technological modernization and financial reliability of the existing capacities in the frames of the Program for re-starting of industrial capacities, during which intensive restructuring of Macedonian

exporters needs to be obtained in particular. Strengthening of the process of institutionalization of economic relations related to the greater engagement and mobility of the domestic accumulation. Also more aggressive promoting activities shall be obtained for increasing the inflow of foreign capital on various grounds.

For the purpose of intensifying the development of small and medium enterprises and the entrepreneurship in general, which is a prime mover of the economic development of the Republic of Macedonia new conditions shall be created for their presentation.

The legislative shall be more regularly revised in order to provide more efficient work of trade companies and in those frames of the small and medium enterprises.

The current laws shall be reviewed and new laws adopted in the field of handicrafts and cooperatives, which will simplify the procedure for starting this kind of an activity, by individuals (family business).

The National Agency for Development of Small and Medium Enterprises - NEPA will become stronger both financially and from the point of professionalism of the staff. In the shortest term, but the latest during the first couple of months of 2000, all regional centers for support of the development of small and medium enterprises in the country shall be established and will start operating.

Activities shall be undertaken for establishment of a business network, which will unify groups of small and medium enterprises with complementary production programs, for better competitiveness, easier establishment of sub-contractor relations with large enterprises and survival on the market.

New business incubators shall be established for animating the local administration, local large enterprises, local sectors of the Chamber of Commerce of the RM and other entities, for better use of the equipment which is not used, vocational trainings of unemployed persons and assisting in the process of establishment of new micro and small businesses.

In the 2000 the realization of the already agreed credit lines shall continue: the credit from the Government of Italy in the amount of 24,6 million DM, the credit from the FR Germany through KfW in the amount of 13 million DM and the credit from the Republic of China in the amount of 12 million USD. At the same time, the realization of micro-credit line for support of small businesses through the PHARE Program shall continue, as well.

Efforts shall be made in providing new and better credit lines from international financial institutions, which will be allocated for support of small and medium enterprises in compliance with the balance of payment capacities of the country. These assets shall be made available through commercial banks in order to achieve economic efficiency and profitability of future projects and to provide transparency when allocating them.

The small and medium enterprises shall be promoted and contacts shall be made with entrepreneurs from the country with partners from abroad.

The technical assistance from abroad for training of entrepreneurs shall be controlled from one place only, and then used in compliance with the needs of the entrepreneurs. Thus, the participation of domestic consulting companies will be increased for the purpose of involving them in the development of small and medium enterprises.

The one stop shop system shall be created for registration of enterprises, which will allow both the domestic and foreign businessmen to finish all the formalities related with this procedure of registration. This will be made through one unified form, which will be used in all public institutions involved in the process of registration. The time period for completing all the necessary formalities will be reduced to two weeks.

In 2000, regarding the agriculture a policy for more significant structural reforms shall be created, i.e. grater processing of primary raw materials according to the needs of the domestic industry, foreign partners and for increase of export.

The appropriate policy of protection of the domestic production shall continue for the agricultural and food products as well.

For initiation of the development of agriculture, measures shall be undertaken in the farming, stockbreeding, vine production and orcharding, for which an annual Program for Initiation of the Development of Agriculture shall be prepared. The Program shall be supported by funds from the Budget of the state in the amount of 244 million MKD.

The funds from the Budget will be used again for support of the health protection of animals from contagious and parasites diseases in the amount of 167 million MKD, as well as for protection of plants from pests. For termination of harmful quarry approximately 1.5 million MKD shall be allocated from the Budget.

The activities for stigmatizing of stock will continue in 2000. This is an obligatory condition for export of lamb meat in the countries of the EU. For this activity, the Budget of the Republic anticipated 32 million MKD.

The Funds from the Budget in the amount of 30,0 million MKD shall be used for financing the activities of planting trees in moorlands and protection of forests through the Program for Planting.

With the Program for Investments in the Agriculture with funds from the Budget, in the amount of 94 million MKD three projects shall be financed:

- Rehabilitation of hydro-systems in the RM
- Rural development of southeast regions in the RM
- Support of individual farmers

Investments

Realization of more intense investment activity and creation of conditions for restructuring in the following year shall be obtained through creation of conditions for greater use of domestic accumulation and mobilization of domestic saving, as well as with use of foreign capital, mainly through concessions, direct investments, joined investments portfolio investments and other non-credit forms of financing.

Principles and other conditions shall be created for more intensive investments activities in the private sector of the commercial economy, especially in the industry, agriculture and small businesses. At the same time, the realization of already initiated projects in the public sector shall continue, while the construction of new ones will depend on the financial construction.

Private enterprises shall become basic carriers of the investment activity where the investment achieves the best results. A priority in 2000 shall be given to the export oriented production, which relies a lot on the scientific achievements and technical - technological progress. The technical -

technological development will help in modernizing the technological processes and will contribute in the restructuring of production toward higher phases of production - processing.

Temporary protection of the new products shall be carried out, as well as initiation of the development of new products and services.

The growth of investments supported by the Budget shall be strongly supported in 2000, for which reason the participation of the part for capital investments in the total expenditures of the Budget shall significantly increase.

In the public sector, a process of rationalization of the Program for Investments in the Public Sector of the Republic of Macedonia shall be carried out on the basis of priority. Investments in the public sector shall be realized with assets of the investors, funds from the Budget, through concessions, foreign direct investments, joined investments, donations, as well as with appropriate foreign credits provided during the year, but taking into consideration the degree of indebtedness of the country.

The concessions shall be continually used in the field of the public sector that are important for the Government and interesting for investors in the country and abroad. Related to this, realization of several projects for finalizing the required technical, analytical and tender documentation shall supported as well.

The investment activities in 2000 shall be directed towards finalizing the construction of the motorway Skopje-Tetovo and Stobi-Demir Kapija, the hydroelectric power plant HE "Kozjak"; revitalization of other hydroelectric power plants; finalizing the establishment of operational centers and supply of equipment for the distribution network; construction of the motorway Demir Kapija-Gevgelija and the motorway around Skopje, as well as beginning of new projects according to the provided assets for their realization.

The intensive activities for realization of ten investment projects for the public infrastructure that are financed through grants of \$10.5 million from the Government of the Republic of China shall continue in the year of 2000.

Activities related to the realization of the project for construction of the thermoelectric gas power plant with a combined cycle for co-generative production of electric and heating energy in Skopje shall also continue.

The grant of 39 million DM from the Republic of Germany, in 2000 will initiate activities related to the direct implementation of the project for water supply "Studenica" and the project "Ecological Protection of the Lake Ohrid", and also the activities regarding the project "Accompanying measures for opening of new working places through activities of improving the communal infrastructure in the Republic of Macedonia", which will be accomplished with the financial assistance of the Republic of Germany in the amount of 16.0 DM.

All the works related to the approval of the favorable "JEN" credit from the Government of Japan for finalizing the first phase of the hydroelectric power plant "Zletovica" shall be enlarged.

The budget has provided funds for the irrigation sector which is actually a grant from the Government of Netherlands and a credit from the World Bank and these assets shall be used for continuing the project for rehabilitation and restructuring of HMS "Bregalnica", HMS "Tikves", HMS "Radiovce-Bistrica", HMS "Gostivarsko Pole" and HMS Banjicko Pole" in compliance with the anticipated dynamic.

For the purpose of improving the opportunities for attraction of foreign direct investments in the Republic of Macedonia, the activities in the 2000 will mainly be directed towards finalization of the directions and measures contained in the "Program for Investment Incentives with a Special Point on Attraction of Foreign Direct Investments". Namely, in the efforts of reorganizing the procedures and institutions for establishment and registration of trade companies, the Committee for simplifying the formalities shall finalize its activities for implementation of the "one stop shop" system.

For the purpose of simplifying and changing the legal regulations for involving trade companies in the trade, as well as for creation of regulations compatible with the ones of the EU, and all that, for providing a positive climate for foreign investments, several new laws shall be adopted during the following year. Increased inflow of foreign investments in the 2000 is expected also from the free economic zones.

Because of the implementation of the Law on Free Economic Zones, an Office for Free Economic Zones shall be established during 2000, as well as other conditions and capacities, for the same purpose.

For initiation and promotion of inventions, facilities such as innovation centers and technical parks shall be formed, which activity will include activities for initiation and promotion and assistance to the inventors on a higher professional level. The process of transferring the new scientific discoveries and technologies to the newly established small and medium enterprises shall be supported, as well.

For the purpose of encouraging the innovation activities and application of patents and industrial design in practice, and also for increasing the level of technological development in the country, measures shall be undertaken in accelerating and intensifying the process of investing in implementation of new technologies through application of new inventions/patents and industrial designs that are filed/registered on the territory of the Republic of Macedonia and their appropriate industrial protection. For achievement of this goal a Center for Promotion of Invention Activity shall be established through which: the invention labour and inventiveness shall be promoted, assistance shall be provided during the protection of the rights of industrial property, market research, preparation of business plans and assistance in establishing business contacts. Also, a Center for Technological Monitoring will be formed, for the purpose of following the development of the latest technological movements and providing services to interested domestic and foreign entities.

For strengthening the institutional setting of foreign direct investments in Macedonia, the Department for Investment Promotions in the Ministry of Development that function as one institution, shall grow into a Center for Investment Promotion in 2000. The basic function of the Center shall be fulfilling the requirements of the market economy and satisfying the needs of foreign and domestic investors. At the same time, the newly established Center, which will be independent in its work and cover a wide range of activities and will be strongly supported by the Government of the Republic of Macedonia shall be realized through the Ministry of Development. The activities of the center for investment promotion shall be directed towards increase of the inflow of foreign direct investments through building the country's image, generating the investments and improving the services for the investors, analysis and research of investments.

In the frames of the Ministry of Development a Department for Industrial Policy shall be established, which goal will be revitalization of industrial capacities, introduction of new technologies, directing the industrial development towards highly productive and more profitable activities, strengthening of the coordination and cooperation with foreign institutions for researches and development, and financial centers and foundations in executing the investment projects.

The promoting activities for representing the country as a good business destination for the foreign investors shall also continue. Among the more important activities we can emphasize the following: "Forum of Investors", preparation and promotion of the "Investment Guide for the Republic of Macedonia" and "Catalogue for the Profile and Opportunities Offered by the Free Economic Zone"; promotion and presentation of the country and investment projects at international fairs, forums, conferences etc.

III. Structural Reforms

1. In 2000, a special accent shall be placed on the reformation process, especially those referring to the restructuring and post-privatization period of enterprises. The system shall be revised in the areas that showed certain weaknesses and problems and delay the process in general. The structural reforms shall be realized with appropriate application of the market and commercial criteria and gradually abandoning the "soft budget financing".

The control over the privatization process of enterprises for the purpose of fixing the irregularities and illegal acts that may show up during the procedure shall be carried out in the following year, as well.

The privatized capital of privatized enterprises, which made losses, shall be decreased for the amount of the loss, while the state capital shall be increased.

The control over the concluded contracts of enterprises with the Privatization Agency shall continue and those that irregularly or has never been paying off their obligations shall be forced to terminate the contracts, and the unpaid stocks to give to the Agency, which will offer them for sale to potential strategic investors, or on the Stock Exchange Market.

2. The corporation management will be encouraged and improved by establishing modern state regulation in the domain of trading with long term securities, formation of investment funds, transformation of the Pension and Disability Insurance Fund into a real financial inter-mediator, promotion of the opportunities for investing in the Republic of Macedonia, introduction of manager's options and education of managers, as well as education of the population for acquiring knowledge about stocks and shares.

The legal regulations related to trading with securities shall be brought into a final stage: the Law on Trade Companies and Law on Securities will be changed and amended in the parts that refer to the information of stock holders, eventual tax exemptions or relieves related to the capital profit and transaction on the Stock Exchange Market.

The Law on Investment Funds shall be adopted, and it will lead to creation of grounds for establishment of Macedonian investment funds with headquarters abroad, which will be managed by a selected and differentiated portfolio of Macedonian stocks.

In order to revive the market of securities and at the same time to capitalize the pension and disability insurance fund and its functioning as a real financial inter-mediator, activities shall be undertaken to increase the sale of package of stocks available to the Fund (15% of the value of the social capital). For this purpose, among the other issues, a group of 8 to 10 young experts shall be trained in the European countries and USA especially for matters related to the management with the portfolio of the pension funds and other important institutional investors and after the training, they will be assigned to run the portfolio of the Fund. In the first couple of years of the work of the Fund foreign advisors shall be included, as well.

For the purpose of training the owners of stocks (over 250.000 stock holders) with knowledge from the filed of stock holding, its essence, the rights and obligations of owners of long term securities, available ways for establishment of a portfolio of securities, decrease of risks, etc., a Program for education of the population in the domain of stockholding shall be prepared and realized. This Program will include: compiling, publication and distribution of popular brochures from this filed, realization of popular TV and radio shows from the field of stockholding, preparation of simple and interesting texts for the stockholding and their publication in the daily newspaper regularly.

Similar technical and financial assistance from abroad will make possible the organization of various types of training programs for managers.

3. Large enterprises, which work with losses, shall be privatized through finding strategic investors. If such investors are not going to be found until March 2000, the same shall be liquidated. For the remaining enterprises of the list of big loss makers, a deep analysis shall be prepared for the basic performances of the work, especially the largest on the list of the 12 big loss makers, which will definitely show for which enterprises it will be an illusion to start their consolidation. For the same bankruptcy procedures shall be filed immediately.

If the analysis for certain enterprises have shown bad results, but in the meantime a domestic or a foreign potential investor has shown interest for the whole of for a part of the enterprise, all the opportunities shall be provided to them to realize that venture.

Banking Sector

In the forthcoming period the process of restructuring of the banking sector shall continue, for the purpose of its financial stabilization, returning of the trust of citizens and in general improving the credibility of domestic banks, privatization of the banks that have not been completely privatized, as well as integration of the financial system of the country to the international market.

The increase of efficiency of the banking shall require changes in the direction of increased competition, proceeding with the privatization and greater concentration of ownership in banks, strengthening of the supervision, stronger legal frames and better information on the banks and their clients.

The process of strengthening the supervision of the National Bank of the Republic of Macedonia over the commercial banks and saving houses, by applying appropriate international standards for supervision and undertaking correct measures towards insolvent banks shall continue. Based on these grounds, it is expected that the financial discipline will become stronger, as well as the competition and that the banking system shall provide more efficient allocation of assets.

The entrance of foreign banks or branch banks in the domestic banking system shall be supported as a strong element of competition, which compared to the real sector, so far has been protected from the foreign competition. During this process, the entrance of foreign banks shall be actively promoted, as well as improvement of the procedure for the methods of the credit valuation of the domestic banks, also the banks shall be merged and the banking infrastructure shall be modernized. For improving the competition in the banking sector, the development of strong banks shall be supported, by raising the minimum capital of the banks, among the other measures.

For the purpose of building the trust towards the banking sector, the insurance of the deposits of savings shall continue to be applied. Also, the conditioned capital in the saving houses shall be increased and new levels of insurance of savings deposits shall be established.

In order to decrease the interest rates, appropriate mechanisms shall be realized for increasing the offer of financial capital through the banking sector. The reduction of high interest rates should be the needed precondition for economic growth that may be achieved by increasing the domestic saving.

The business banks shall proceed with solving the problem of present interest obligations of enterprises from the previous years with which, they provide their own restructuring and clearing of balance positions.

The entry of a foreign bank in the Stopanska Banka AD Skopje, which covers almost 43% of the market, shall probably bring a new climate in the banking system by enriching the financial instruments and entry of new knowledge and expertise. This will initiate other domestic banks to merge or to accept other foreign strategic investors, which will increase the healthy competition in the banking sphere. At the same time, the clearing of the balance of Stopanska Banka from the unfavourable sales will provide more efficient operation of this bank with a positive effect in the direction of decreasing the interest rates. The other banks are expected to act in the same way regarding the decrease of interest rates since they would also like to survive in the competition on the credit market. Of course, the decrease of active interest rates is basic condition for increasing the investments, which are generators of the economic growth.

Labour Market and Social Protection.

1. The policy of employment of the labour market shall be directed towards finding new realistic solution in the sphere of employment.

For creation opportunities and conditions for greater employment an active policy shall be created and implemented by undertaking short term and long term measures, especially through:

- Intensive investment, financial and other support of the development of the private sector, with institutionalized, financial and educative support of the development of small and medium enterprise, small businesses, self-employment, intensifying the foreign direct investment and joined ventures.
- further realization of the projects for small and medium enterprises through the National Agency for Development of Small and Medium Enterprises (NEPA), spreading the network of regional centers with the financial assistance of the PHARE Program, simplification of the procedure for preparation of programs by the Agency (NEPA) and acceleration of the procedure for the projects and programs by the banks, provision of micro credits and capacities for initiating and supporting the small businesses by the banks, with a better grace period and lower interest rates for the purpose of encouraging the investments and opening of new working places for a longer term;
- restarting the existing and unused capacities;
- assistance in employment by realization of programs for training, prevocational training through various projects, financially assisted by the World Bank, the IMF and other international and foreign organizations and institutions, realization of concrete programs for training provided by educational institutions together with the employers and the Employment Bureau through grants for greater participation in the training expenses;
- creation of conditions and suppositions for foreign direct investments, use of foreign credits for development of projects for development of small and medium enterprises and providing concessions.

- opening of economic, trade and customs zones
- stimulating measures from the tax policy for realization of programs for employment of younger long term unemployed persons, socially vulnerable individuals and women;
- providing grants for municipalities for realization of projects for increasing the employment
- through financial and other support to projects for individual farmers and for running family business in the agriculture, the returning flow from the town into the village shall be initiated, which will decrease the unemployment in the towns
- establishment of incubators for employment of persons who are waiting for a job for a longer period of time, socially vulnerable persons and women, with financial support of such projects under favorable terms and conditions.
- improvement of the work and increase of assistance of employment bureaus to the employers and unemployed persons in informing, mediation and consulting because of greater flexibility, efficient allocation and use of labour force and inter-sector and inter-department mobility of the labour force;
- implementation and spreading of the project for assistance for local development of fired employees "PRISMA", which is conducted with the support of the USAID and projects for the social sector of the World Bank and other projects;
- permanent and strengthened inspection monitoring, for the purpose of improving the discipline on the labour market and decrease of illegal employment, technical equipment and professionalism of the personnel of the inspectorate for labour and operation in shifts.
- more severe policy for penalties and faster solution of court procedure related to labour and prohibition for performing activities for not respecting the Law, solving of disputes through mediation (out of court)
- organization of public works and hiring of unemployed persons who use reimbursement for being not employed or social help and better coordination and cooperation of the labour inspection, the Employment Bureau and centers for social works in undertaking mutual actions and measures for better application of laws
- connection into a wider information network or INTERNET for presenting and obtaining data of the Employment Bureau, the Health Insurance Fund, the Pension and Disability Insurance Fund and the Social Insurance FUND. All the obtained data to be compared with all these institutions for specific satisfaction of the needs of the unemployed persons and employers and for supervision and control of the market.
- the manner of exchange of information regarding the vacancies and trends of the local and national market of labour force shall be institutionalized by organizing seminars for unemployed persons and for the employers, as well. The Employment Bureau in cooperation with the local; government shall organize working clubs, fairs for employment, so that the persons who are looking for a job may meet with the potential employers
- the establishment and functioning of private agencies for mediation in employment shall be supported

- the realization of already started educational - vocational programs for professional education, revocation and initiation of new programs for persons who lost their jobs in the process of restructuring of the economy shall continue in order to accelerate their leaving from the labour market and more successful employment
- a National Strategy shall be adopted - "National Agreement" for employment signed by the Government, the Labor Union, the Chamber of Commerce and others for stimulating and improving the forms for employment, registration of unemployed persons, employment of young people with university education who have been looking for a job for a longer period of time.
- establishing pilot projects for unemployed persons "Voucher Unions" in the municipalities, where the mutual payment of certain public services may be performed with a voucher-internal money for their purchase or transfer of it into real money
- changes shall be made on the provision referring to the employment: in the Law on Labor Relation, Law on Employment and Insurance in Case of Unemployment, and others.

Through selective migration policy the uncontrolled outflow of labour force abroad shall be reduced (without the mediation of the Employment Bureau).

2. The Social Protection in the following year shall be carried out in compliance with the Law on Social Protection and the Decision for the Basic Criteria, and the Manner and Conditions for obtaining Social Assistance, in the frames of the anticipated assets allocated in the Budget for 2000. Pursuant to the Law and Decision, the citizens who are exposed to social risks and are not in condition to provide their own social security, will realize their rights through the measures of social protection both in institutions and out of institutions on the basis of social assistance to the socially vulnerable population. In compliance with the Decision, the protection of those members of the society, who found themselves in a difficult situation due to the transitional processes and structural reforms shall continue. Such system of providing social assistance shall be improved in the future in the direction of more fair distribution and allocation of the social assistance to the most vulnerable and the poorest categories of the population. In that sense, the project of the World Bank for Emergency Social Assistance shall review the possibilities of making changes on the Decision for Emergency Social Assistance for the purpose of checking the criteria and the appropriate amending in obtaining of this right.

The social security of employees whose employment contract has expired due to economic, technological, structural or other similar changes shall be provided in compliance with the changes of the Law on Labor Relations and the Law on Employment and Insurance in Case of Unemployment, in the frames of the anticipated assets for this purpose, in the Budget for 2000, as well as in the frames of the approved credit from the World Bank provided for continuation of the Project for Emergency Social Assistance (in the amount of \$11.6 million). During this and in compliance with the Law on the Manner and Conditions for Use of Assets per Contract for Use of the Credit from the World Bank a single reimbursement shall be paid in a form of severance payment to the employees in enterprises with a predominant state capital, whose employment contracts have been terminated due to economic, technological and structural and other changes, while from the funds of the Budget payment shall be made for the delayed net salaries and contributions, as well payment for unemployment to the employees through the Employment Bureau. At the same time, in the frames of the funds of the Budget material support shall be provided for the extra employees from the public administration who will be fired due to the technological redundancy or retired with severance payment and assets for administrative retirement. For this purpose a separate Law on Administrative Retirement shall be adopted.

Reforms in the Health and Pension Sector

1. At the beginning of the following year the changes and amendments of the current legislation for regulating the state pensions system shall be adopted, as well as the proposed model for reform of the pension and disability insurance. In compliance with these changes the age limit for retirement shall be gradually increased (65 years for men and 63 for women), the substitute rate shall be gradually decreased (85% to 80%), calculation of the pension base from the whole working experience etc. At the same time conditions shall be created for establishment of the proposed model for reform of the pension and disability system with a parallel existence of three types of posts: the first - state post - currently financed - compulsory; the second post - capially financed - compulsory and the third post - capially financed - voluntarily. For this purpose, at the end of the year, in the frames of the anticipated reform of the pensions and disability insurance, a Law on Capially Financed Pension System has been prepared, and it completely regulates the institutionalization and functioning of the capially financed pension system.

2. In the following year the reforms of the health insurance system shall continue, as well, in compliance with the Project for Transition in the Health Sector, financed by the World Bank. The anticipated reforms shall be implemented in compliance with the new Law on Health Insurance which is a precondition for implementing the measures from the first component of the Project, i.e. increase of the macroeconomic efficiency of the system. The new Law anticipates health protection of the whole population, definition of the fiscally sustainable health services, new policy on participation of the health services in the direction of determining small fixed amounts but, with not so big exemptions, establishment of the Health Insurance Fund as a separate organization with its own Managing Board in charge for implementation of the determined policy, correction of the system for financing of health services and giving concessions in the health sector. At the end of the year a Law on Health Protection shall be adopted, which will define the status of health organizations and the relation between the doctor and patient.

Projection of the macroeconomic aggregates

In 2000, on the basis of the created conditions and those that are to be created by the Macroeconomic policy and the assumed opportunities and abilities, it is estimated that the process of revival of economic activities and maintenance of the macroeconomic equity and stability shall continue. On these grounds, it has been calculated that the basic, macroeconomic aggregates which are indicative projections for 2000, compared to 1999 would be achieved with the following dynamic: GDP would be increased for 6.0%, (industry - 9,0%, agriculture - 5,0%, export of goods would increase nominally for 10,3%, import of goods - 13,1%, retail prices would increase annually for 4,0%, average salaries of the all the employees would remain on the level from 1999, while the total number of employees would increase for 2,0%).

The Macroeconomic Policy of the Republic of Macedonia shall be published in the Official Gazette of the Republic of Macedonia.

No. 23-5860/1
21 December 1999
Skopje

**The President of the Government of
the Republic of Macedonia
Ljubco Georgievski**

REPUBLIC OF MACEDONIA
MINISTRY OF DEVELOPMENT

Documentation for the Macroeconomic Policy of
the Republic of Macedonia

Skopje, December 1999

Introduction

This documentation presents the analytic-quantitative base for the macroeconomic policy of the Republic of Macedonia for the year of 2000.

It contains data for the total of macroeconomic determiners and balances for the Republic of Macedonia, data on certain business activities and economic areas in the period from 1997 to 1999, as well as projections for the 2000-year.

In the documentation are used available data from the official informative system, while on the used determiners there were no official data, but were used estimations made by the Ministry of Development.

The data is given in a form of current prices, and in certain cases, in constant prices, which results in elimination of the inflationary affect.

For the purposes of processing this documentation, data were used from the Bureau of Statistics of the Republic of Macedonia, National Bank of the Republic of Macedonia, Bureau for Payment Transfers, as well as documentation from other institutions in the Republic of Macedonia.

BASIC MACROECONOMIC INDICATORS

-real rate of change

| | 1997 | 1998 | 1999 estimation | 2000 projections |
|---|-------|------|--------------------|---------------------|
| Gross Domestic Product (prices from 1998) | | | | |
| Total By Items: | 1.4 | 2.9 | 2.7 | 6.0 |
| Mining and Industry | 2.9 | 4.5 | 0.0 | 9.0 |
| Agriculture and Fishery | -2.9 | 3.9 | 0.0 | 5.0 |
| Foreign Trade⁴ | | | | |
| Total export of goods | 7.8 | 6.9 | -9.3 | 10.3 |
| Total import of goods | 9.3 | 7.6 | -8.1 | 13.1 |
| Employee Salaries | | | | |
| Average annual pay | 0.2 | 3.8 | 3.4 | 0.0 |
| Average pay (December/December) | -0.8 | 7.8 | -0.2 | 2.1 |
| Investment in Fixed Assets | | | | |
| Total | 0.6 | 4.8 | 5.5 | 12.5 |
| Mining and Industry | 31.9 | 5.3 | 3.2 | 7.9 |
| Agriculture and Fishery | 2.4 | -0.5 | 5.7 | 6.3 |
| Transport and Communications | -24.8 | 11.5 | 7.1 | 27.0 |
| Housing, Utilities and Public services | -4.3 | 0.3 | 3.6 | 13.3 |
| Other Business activities | -9.7 | 6.0 | 8.3 | 7.9 |
| Population and Labour Force (Annual average) | | | | |
| Permanent residents | 0.7 | 0.7 | 0.7 | 0.7 |
| Total employed | -6.0 | -2.9 | 1.2 | 2.0 |
| Unemployed | 6.5 | 4.9 | 28.2 ⁵ | 1.4 |
| Public Finance (% of input the gross domestic product) | | | | |
| Total Public Incomes ⁶ | 34.8 | 34.5 | 35.7 | 35.0 |
| Republic Budget | 20.8 | 20.9 | 22.3 | 21.9 |
| Local budgets | 0.5 | 0.5 | 0.4 | 0.3 |
| Non-budget funds | 0.6 | 0.6 | 0.6 | 0.5 |
| Social funds | 12.9 | 12.6 | 12.4 | 12.3 |
| Prices and Deflator | | | | |
| Retail prices (December/December) | 4.5 | -1.0 | 0.9 | 3.6 |
| Wholesale prices (current/previous year) | 4.4 | 0.8 | -0.9 | 4.0 |
| Cost of living (current/previous year) | 2.6 | -0.1 | -0.9 | 4.0 |
| Implicit deflator | 3.3 | 0.3 | -0.9 | 4.0 |

⁴ Nominal rate. For calculation of real rate, export and import prices are not available.

⁵ The increase of the unemployment is explained with the transfer process from manual to new, computerized processing of the data, where persons, that previously were deleted from the records, applied to be registered again

⁶ Not included the transferred revenues from the Budget for social and non-budget funds, as well as the transferred revenues of the social funds and without the donations in the health fund.

GROSS DOMESTIC PRODUCT

(Total & per citizen)

| | 1997 | 1998 | 1999 estimation | 2000 projections |
|--|---------|---------|--------------------|---------------------|
| Amount in million denars—according to current prices | 184,982 | 190,827 | 194,262 | 214,077 |
| - nominal rates of change | 4.8 | 3.2 | 1.8 | 10.2 |

| | 1997 | 1998 | 1999 estimation | 2000 projections |
|---|--------|--------|--------------------|---------------------|
| Gross Domestic Product per citizen (in denars & according to the current prices) | 92,741 | 94,986 | 95,932 | 104,991 |

GROSS DOMESTIC PRODUCT BY ACTIVITY

| | -real rate of change according to the prices from 1998 | | | |
|--|--|-------|--------------------|---------------------|
| | 1997 ⁷ | 1998 | 1999 estimation | 2000 projections |
| Gross Domestic Product | 1.4 | 2.9 | 2.7 | 6.0 |
| Mining and Industry | 2.9 | 4.5 | 0.0 | 9.0 |
| Agriculture and Fishery | -2.9 | 3.9 | 0.0 | 9.0 |
| Forestry | -2.3 | -12.7 | -9.1 | 3.0 |
| Water Management | 4.7 | -14.2 | 0.0 | 3.0 |
| Construction | 0.2 | 2.9 | 4.0 | 8.8 |
| Transport and Communications | 3.3 | 6.9 | 8.0 | 11.6 |
| Trade | -1.8 | 0.9 | 10.0 | 7.0 |
| Tourism and Catering | -3.6 | 20.3 | 9.5 | 10.0 |
| Crafts and Trades & Personal services | 6.7 | -7.6 | 0.0 | 6.2 |
| Utilities and Public services, and Landscaping and Maintenance | 6.0 | 1.0 | 0.0 | 4.2 |
| Other Non –business activities | 1.4 | 1.6 | 1.4 | 1.4 |
| Adjustment items (imputed banking services, turnover tax, import custom duties and subsidies) | 2.2 | 3.7 | 3.0 | 6.1 |

| | Distribution in % | | | |
|--|-------------------|-------|--------------------|---------------------|
| | 1997 | 1998 | 1999 estimation | 2000 projections |
| Gross Domestic Product | 100.0 | 100.0 | 100.0 | 100.0 |
| Mining and Industry | 21.5 | 21.8 | 21.3 | 21.9 |
| Agriculture and Fishery | 9.9 | 10.0 | 9.8 | 9.7 |
| Forestry | 0.5 | 0.5 | 0.4 | 0.4 |
| Water Management | 0.4 | 0.3 | 0.3 | 0.3 |
| Construction | 5.7 | 5.7 | 5.8 | 5.9 |
| Transport and Communications | 6.2 | 6.4 | 6.7 | 7.1 |
| Trade | 10.9 | 10.7 | 11.5 | 11.6 |
| Tourism and Catering | 1.7 | 2.0 | 2.1 | 2.2 |
| Crafts and Trades & Personal services | 2.3 | 2.1 | 2.0 | 2.0 |
| Utilities and Public services, and Landscaping and Maintenance | 2.3 | 2.2 | 2.2 | 2.1 |
| Other Non –business activities | 27.2 | 26.9 | 26.6 | 25.3 |
| Adjustment items (imputed banking services, turnover tax, import custom duties and subsidies) | 11.4 | 11.4 | 11.3 | 11.5 |

⁷ According to the Bureau of Statistics of the Republic of Macedonia.

FOREIGN TRADING

| | - in million denars | | | | - nominal rate of change | | | |
|---|---------------------|--------|-----------------------------------|--------------------------|--------------------------|------|-----------------------------------|--------------------------|
| | 1997 | 1998 | 1999 primary estim. data | 2000 projec- tions | 1997 | 1998 | 1999 primary estim. data | 2000 projec- tions |
| Total Export of Goods & Services | 1365.1 | 1453.4 | 1436.1 | 1522.6 | 4.9 | 6.5 | -1.2 | 6.0 |

| | | | | | | | | |
|----------------------------------|--------|--------|--------|--------|-------|------|-------|------|
| Export of goods | 1236.8 | 1322.1 | 1198.9 | 1322.6 | 7.8 | 6.9 | -9.3 | 10.3 |
| Production materials | 650.0 | 645.9 | 558.6 | 600.0 | 14.5 | -0.6 | -13.5 | 7.4 |
| Equipment & Spare parts products | 42.1 | 53.0 | 42.3 | 52.6 | 9.4 | 25.9 | -20.2 | 24.3 |
| Consumer goods | 543.3 | 621.7 | 598.0 | 670.0 | 0.6 | 14.4 | -3.8 | 12.0 |
| Undivided | 1.4 | 1.5 | - | - | 100.0 | 7.1 | - | - |

| | | | | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|------|-------|-------|
| Revenues from Services | 128.3 | 131.3 | 237.2 | 200.0 | -16.9 | 2.3 | 80.7 | -15.7 |
| Tourism | 14.0 | 14.7 | 53.0 | 31.0 | -32.0 | 5.0 | 260.5 | -41.5 |
| Transport | 54.2 | 61.2 | 80.5 | 79.4 | 11.8 | 12.9 | 31.5 | -1.4 |
| Other Services | 60.1 | 55.4 | 103.7 | 89.6 | -29.5 | -7.8 | 87.2 | -13.6 |

| | | | | | | | | |
|---|--------|--------|--------|--------|-----|-----|------|------|
| Total Import of goods and services | 2051.4 | 2216.6 | 2063.7 | 2311.8 | 5.9 | 8.1 | -6.9 | 12.0 |
|---|--------|--------|--------|--------|-----|-----|------|------|

| | | | | | | | | |
|----------------------------------|--------|--------|--------|--------|-------|-------|------|------|
| Import of Goods | 1778.5 | 1913.5 | 1759.3 | 1990.3 | 9.3 | 7.6 | -8.1 | 13.1 |
| Production materials | 1087.7 | 1242.5 | 1131.0 | 1280.0 | 20.2 | 14.2 | -9.0 | 13.2 |
| Equipment & Spare parts products | 188.5 | 247.3 | 239.0 | 271.3 | -13.6 | 31.2 | -3.4 | 13.5 |
| Consumer goods | 491.6 | 412.2 | 389.3 | 439.0 | -0.2 | -16.2 | -5.6 | 12.8 |
| Undivided | 10.7 | 11.5 | - | - | -7.0 | 7.5 | - | - |

| | | | | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|------|------|------|
| Expenditures for Services | 272.9 | 303.1 | 304.4 | 321.5 | -11.8 | 11.1 | 0.4 | 5.6 |
| Tourism | 26.8 | 29.8 | 32.4 | 39.5 | 2.3 | 11.2 | 8.7 | 21.9 |
| Transport | 131.7 | 144.2 | 146.1 | 150.1 | -11.6 | 9.5 | 1.3 | 2.7 |
| Other Services | 114.4 | 129.1 | 125.9 | 131.9 | -14.8 | 12.8 | -2.5 | 4.8 |

POPULATION AND LABOUR FORCE

| | - in thousand persons | | | |
|---------------------------------------|-----------------------|---------|---------------------|---------------------|
| | 1997 | 1998 | 1999 estimation | 2000 projections |
| Permanent Residents ⁸ | 1,994.6 | 2,009.0 | 2,023.3 | 2,037.3 |
| Economically Active Population | 800.5 | 823.8 | 833.0 ⁹ | 844.0 |
| Employed (registered) | 319.5 | 310.2 | 313.9 | 320.2 |
| - business sector | 235.2 | 224.0 | 226.1 | 235.7 |
| - non – business sector | 84.3 | 86.2 | 87.8 | 84.5 |
| Unemployed (registered) ¹⁰ | 253.0 | 265.3 | 340.0 ¹¹ | 344.8 |

| | - rates of change | | | |
|------------------------------------|-------------------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 |
| Midyear Population | 0.7 | 0.7 | 0.7 | 0.7 |
| Economically Active Population | 1.4 | 2.9 | 1.1 | 1.3 |
| Employed (registered) | -6.0 | -2.9 | 1.2 | 2.0 |
| - business sector | -8.0 | -3.8 | 0.9 | 4.2 |
| - non – business sector | 0.1 | 2.3 | 1.9 | -3.8 |
| Unemployed (registered) | 6.5 | 4.9 | 28.2 | 1.4 |
| Rate of Unemployment ¹² | 31.6 | 32.2 | 40.8 | 40.9 |

⁸ A projection of the population in Republic of Macedonia until 2020, according to the Bureau of Statistics.

⁹ Estimated by the Ministry of Development.

¹⁰ Records of the Bureau for Employment.

¹¹ The increase of unemployment is explained with the transferring process from manual to new, computerized processing of the data, where persons that previously were deleted from the records applied to be registered again.

¹² Unemployed in balance to the Economically Active Population.

AVERAGE PAY PER EMPLOYEE

| | 1997 | 1998 | 1999 estimation | 2000 projections |
|---|-------|-------|--------------------|---------------------|
| Average Pay per Employee (in denars) Total | 9,063 | 9,394 | 9,624 | 10,000 |
| - business sector | 8,888 | 9,288 | 9,550 | 10,043 |
| - non- business sector | 9,469 | 9,623 | 9,740 | 9,900 |
| Nominal Average Annual Rate Total | 2.8 | 3.7 | 2.5 | 3.9 |
| - business sector | 3.7 | 4.5 | 2.8 | 5.2 |
| - non- business sector | 0.3 | 1.6 | 1.2 | 1.6 |
| Real Average Annual Rate Total | 0.2 | 3.8 | 3.4 | 0.0 |
| - business sector | 1.1 | 4.6 | 3.7 | 1.1 |
| - non- business sector | -2.3 | 1.7 | 2.1 | -2.3 |

REALIZED INVESTMENTS IN FIXED ASSETS

| | - in million denars | | | | - distribution in % | | | |
|--|---------------------|-------------------------|-------------------------|--------------------------|---------------------|-------------------------|-------------------------|-------------------------|
| | 1997 | 1998 estima- tion | 1999 estima- tion | 2000 projec- tions | 1997 | 1998 estima- tion | 1999 estima- tion | 2000 projec- tion |
| Total | 27,802 | 29,360 | 30,650 | 35,860 | 100.0 | 100.0 | 100.0 | 100.0 |
| Mining and Industry | 6,821 | 7,240 | 7,400 | 8,300 | 24.5 | 24.7 | 24.1 | 23.1 |
| Agriculture and Fishery | 1,526 | 1,530 | 1,600 | 1,770 | 5.5 | 5.2 | 5.2 | 4.9 |
| Forestry | 119 | 120 | 120 | 130 | 0.4 | 0.4 | 0.4 | 0.4 |
| Water Management | 135 | 200 | 270 | 330 | 0.5 | 0.7 | 0.9 | 0.9 |
| Construction | 516 | 550 | 630 | 720 | 1.9 | 1.9 | 2.1 | 2.0 |
| Transport and Communications | 4,450 | 5,000 | 5,300 | 7,000 | 16.0 | 17.0 | 17.3 | 19.5 |
| Trade | 2,201 | 2,240 | 2,350 | 2,600 | 7.9 | 7.6 | 7.7 | 7.3 |
| Tourism and Catering | 557 | 600 | 620 | 720 | 2.0 | 2.0 | 2.0 | 2.0 |
| Crafts and Trades | 556 | 560 | 600 | 660 | 2.0 | 1.9 | 2.0 | 1.8 |
| Housing, Utilities and Public services | 7,717 | 7,800 | 8,000 | 9,500 | 27.8 | 26.6 | 26.1 | 26.5 |
| Financial, Technical and Business activities | 1,407 | 1,500 | 1,630 | 1,800 | 5.1 | 5.1 | 5.3 | 5.0 |
| Education and Culture | 441 | 520 | 560 | 630 | 1.6 | 1.8 | 1.8 | 1.8 |
| Health Care and Social Security | 902 | 1,000 | 1,070 | 1,140 | 3.2 | 3.4 | 3.5 | 3.2 |
| Bodies of State Administration, Local Administration, Political Parties, Social Organizations and Associations | 454 | 500 | 500 | 560 | 1.6 | 1.7 | 1.6 | 1.6 |

| Investment Input in Gross Domestic Product (in %) | 15.0 | 15.4 | 15.7 | 16.7 |
|--|------|------|------|------|
| Mining and Industry | 3.7 | 3.8 | 3.8 | 3.9 |
| Agriculture and Fishery | 0.8 | 0.8 | 0.8 | 0.8 |
| Transport and Communications | 2.4 | 2.6 | 2.7 | 3.3 |
| Housing, Utilities and Public services | 4.2 | 4.1 | 4.1 | 4.4 |
| Other Business Activities | 3.9 | 4.1 | 4.3 | 4.3 |
| - production | 2.2 | 2.2 | 2.4 | 2.4 |
| - non-production areas | 1.7 | 1.9 | 1.9 | 1.9 |

RETAIL PRICES

- rate of increase
- previous year = 100

| | 1997 | 1998 | 1999 ¹³ | 2000 projections |
|-----------|------|------|--------------------|---------------------|
| January | 3.9 | 0.7 | -0.8 | 1.0 |
| February | -0.4 | 0.4 | -0.1 | 0.4 |
| March | -0.4 | -0.4 | 0.1 | 0.3 |
| April | -2.1 | -1.5 | -2.2 | 0.2 |
| May | -0.4 | 0.4 | 0.4 | 0.1 |
| June | 0.0 | -1.7 | -0.7 | 0.0 |
| July | 0.3 | -0.7 | -0.6 | -1.0 |
| August | 0.7 | -0.4 | 1.3 | -2.0 |
| September | 0.1 | -0.1 | 0.3 | 1.1 |
| October | 2.4 | 2.3 | 2.6 | 2.0 |
| November | 0.9 | 0.1 | 0.6 | 1.0 |
| December | -0.4 | -0.1 | 0.1 | 0.5 |

| | | | | |
|--------------------------|------|------|------|------|
| 1 st Quartile | 3.1 | 0.7 | -0.8 | 2.2 |
| 2 nd Quartile | -2.5 | -2.8 | -2.5 | 0.3 |
| 3 rd Quartile | 1.1 | -1.2 | 1.0 | -2.0 |
| 4 th Quartile | 2.9 | 2.3 | 3.3 | 3.5 |

| | | | | |
|-------------------------------------|-----|------|------|-----|
| New annual increase | 4.5 | -1.0 | 0.9 | 3.9 |
| Average new increase per month | 0.4 | -0.1 | 0.1 | 0.3 |
| Average annual increase | 4.4 | 0.8 | -0.9 | 4.0 |
| Transfer of prices in the next year | 2.4 | 0.7 | 2.4 | 2.0 |

¹³ Realized changes in the period January-November

STATE BUDGET¹⁴

| | - in million denars | | | | - input in GDP in % | | | |
|---------------------------------|-------------------------|--------|--------|--------|-------------------------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 1997 | 1998 | 1999 | 2000 |
| | re- balance projections | | | | re- balance projections | | | |
| Total Revenues | 38,464 | 39,820 | 43,320 | 46,961 | 20.8 | 20.9 | 22.3 | 21.9 |
| - Tax Revenues | 35,442 | 36,863 | 40,576 | 43,396 | 19.2 | 19.3 | 20.9 | 20.3 |
| Profit Tax | 1,295 | 1,752 | 2,617 | 2,613 | 0.7 | 0.9 | 1.3 | 1.2 |
| Personal income tax | 8,755 | 9,177 | 9,825 | 10,033 | 4.7 | 4.8 | 5.1 | 4.7 |
| Turnover tax & VAT | 8,816 | 8,804 | 9,541 | 9,700 | 4.8 | 4.6 | 4.9 | 4.5 |
| Excises | 11,052 | 10,236 | 10,189 | 12,309 | 6.0 | 5.4 | 5.2 | 5.7 |
| Custom tax & Import duties | 5,524 | 6,810 | 8,272 | 8,600 | 3.0 | 3.6 | 4.3 | 4.0 |
| Other tax – unclassified | 0 | 84 | 132 | 141 | 0.0 | 0.0 | 0.1 | 0.1 |
| Non-tax Revenues | 3,022 | 2,957 | 2,744 | 3,565 | 1.6 | 1.5 | 1.4 | 1.7 |
| Administrative & Judicial taxes | 1,068 | 1,092 | 1,314 | 1,508 | 0.6 | 0.6 | 0.7 | 0.7 |
| Other non-tax revenues | 1,954 | 1,865 | 1,430 | 2,057 | 1.1 | 1.0 | 0.7 | 1.0 |

| | - in million denars | | | | - input in GDP in % | | | |
|--|-------------------------|--------|--------|--------|-------------------------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 1997 | 1998 | 1999 | 2000 |
| | re- balance projections | | | | re- balance projections | | | |
| Total Expenditures | 38,458 | 39,531 | 45,759 | 46,961 | 20.8 | 20.7 | 23.6 | 21.9 |
| Current Expenditures | 35,300 | 35,656 | 40,203 | 40,546 | 19.1 | 18.7 | 21.1 | 18.9 |
| - salaries remuneration | 15,148 | 15,939 | 16,056 | 15,874 | 8.2 | 8.4 | 8.4 | 7.4 |
| - goods & services | 4,902 | 4,942 | 5,673 | 6,386 | 2.6 | 2.6 | 3.0 | 3.0 |
| - current fund transfers | 15,250 | 14,775 | 18,474 | 18,286 | 8.2 | 7.7 | 9.7 | 8.5 |
| -transfers to Government institutions | 1,428 | 1,468 | 1,513 | 1,854 | 0.8 | 0.8 | 0.8 | 0.9 |
| -transfers to self-governing units | 12 | 15 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Government Taxes, Donations, transfers to natural persons and non-business organizations | 10,749 | 10,441 | 13,661 | 11,321 | 5.8 | 5.5 | 7.2 | 5.3 |
| - transfers to families in social need | 2,767 | 2,550 | 2,990 | 3,187 | 1.5 | 1.3 | 1.6 | 1.5 |
| - children care supplements | 425 | 470 | 795 | 550 | 0.2 | 0.2 | 0.4 | 0.3 |
| - transfers to the Fund PII | 4,066 | 3,620 | 3,302 | 3,890 | 2.2 | 1.9 | 1.7 | 1.8 |
| - transfers of unemployed due to structural changes | 2,981 | 3,263 | 3,100 | 3,050 | 1.6 | 1.7 | 1.6 | 1.4 |
| - other | 510 | 538 | 3,474 | 644 | 0.3 | 0.3 | 1.8 | 0.3 |
| - transfers on subsidies | 3,061 | 251 | 3,300 | 5,111 | 1.7 | 1.5 | 1.7 | 2.4 |
| - turnover asset of structural changes | 0 | 0 | 0 | 1,617 | 0.0 | 0.0 | 0.0 | 0.8 |
| - goods reserve | 431 | 148 | 148 | 112 | 0.2 | 0.1 | 0.1 | 0.1 |
| - export stimulation | 150 | 0 | 0 | 0 | 0.1 | 0.0 | 0.0 | 0.0 |
| - foreign exchange savings | 873 | 799 | 747 | 1,350 | 0.5 | 0.4 | 0.4 | 0.6 |
| - currency assets as obligations towards foreign companies | 99 | 0 | 0 | 0 | 0.1 | 0.0 | 0.0 | 0.0 |
| - bank recovery | 1,070 | 971 | 809 | 737 | 0.6 | 0.5 | 0.4 | 0.3 |

¹⁴ Not included – the revenues from foreign credits, foreign donations, surpluses from revenues over expenditures for certain years, i.e. payments of loan and interest towards foreign countries.

| | - in million denars | | | | - input in GDP in % | | | |
|--|-------------------------|------|-------|-------|-------------------------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 1997 | 1998 | 1999 | 2000 |
| | re- balance projections | | | | re- balance projections | | | |
| - obligations towards companies on technological surplus & pre-qualification | 0 | 24 | 21 | 25 | 0.0 | 0.0 | 0.0 | 0.0 |
| - reform of public administration | 0 | 0 | 0 | 1,020 | 0.0 | 0.0 | 0.0 | 0.5 |
| - program for new employment | 0 | 596 | 1,331 | 110 | 0.0 | 0.3 | 0.7 | 0.1 |
| - other | 438 | 313 | 244 | 140 | 0.2 | 0.2 | 0.1 | 0.1 |

| | | | | | | | | |
|--|-------|-------|-------|-------|-----|-----|-----|-----|
| Capital Costs | 1,995 | 2,136 | 2,610 | 3,636 | 1.1 | 1.1 | 1.4 | 1.7 |
| - building construction in undeveloped areas of self-governing units | 500 | 474 | 470 | 578 | 0.3 | 0.2 | 0.2 | 0.3 |
| - program for road construction | 545 | 668 | 927 | 1,200 | 0.3 | 0.4 | 0.5 | 0.6 |
| - program for investments in agriculture | 0 | 19 | 48 | 98 | 0.0 | 0.0 | 0.0 | 0.0 |
| - program for revitalization of rural areas | 15 | 20 | 20 | 20 | 0.0 | 0.0 | 0.0 | 0.0 |
| - geological research | 23 | 21 | 23 | 23 | 0.0 | 0.0 | 0.0 | 0.0 |
| - watering system in municipalities | 120 | 97 | 100 | 200 | 0.1 | 0.1 | 0.1 | 0.1 |
| - other | 792 | 837 | 1,022 | 1,517 | 0.4 | 0.4 | 0.5 | 0.7 |

| | | | | | | | | |
|---|-------|-------|-------|-------|-----|-----|-----|-----|
| Giving loans, security investments and payment of principal | 1,163 | 1,739 | 2,946 | 2,779 | 0.6 | 0.9 | 1.5 | 1.3 |
| - deposit of the Budget of NBRM | 600 | 1,200 | 2,200 | 1,300 | 0.3 | 0.6 | 1.2 | 0.6 |
| - participation in railway construction | 420 | 412 | 540 | 1,437 | 0.2 | 0.2 | 0.3 | 0.7 |
| - other | 143 | 127 | 206 | 42 | 0.1 | 0.1 | 0.1 | 0.0 |

| | | | | | | | | |
|-------------------------|---|-----|--------|---|-----|-----|------|-----|
| Primary deficit-surplus | 6 | 289 | -2,439 | 0 | 0.0 | 0.2 | -1.3 | 0.0 |
|-------------------------|---|-----|--------|---|-----|-----|------|-----|

PENSION FUND

| | - in million denars | | | | - input in GDP in % | | | |
|--|-------------------------|------|------|--------------------|-------------------------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 ¹⁵ | 1997 | 1998 | 1999 | 2000 |
| | re- balance projections | | | | re- balance projections | | | |

| | | | | | | | | |
|----------------|--------|--------|--------|--------|-------|-------|-------|------|
| Total Revenues | 20,647 | 20,521 | 20,632 | 22,176 | 11.17 | 10.75 | 10.62 | 10.6 |
|----------------|--------|--------|--------|--------|-------|-------|-------|------|

| | | | | | | | | |
|---|---------------------|--------|--------|--------|------|------|------|------|
| 1. Source Revenues | 16,608 | 16,438 | 16,534 | 18,216 | 8.98 | 8.64 | 8.51 | 8.51 |
| - contributions from salaries | 14,132 | 13,363 | 14,011 | 15,050 | 7.64 | 7.00 | 7.21 | 7.03 |
| - contributions from income | 279 | 237 | 298 | 312 | 0.15 | 0.12 | 0.15 | 0.15 |
| - contributions from private sector | 426 | 407 | 425 | 460 | 0.23 | 0.21 | 0.22 | 0.21 |
| - contributions from agriculture | 143 | 74 | 55 | 60 | 0.08 | 0.04 | 0.03 | 0.03 |
| - contributions from Bureau of Employment | 816 | 968 | 880 | 1,413 | 0.44 | 0.51 | 0.45 | 0.67 |
| - excises | 731 | 694 | 594 | 751 | 0.40 | 0.36 | 0.31 | 0.35 |
| - other | 81 | 740 | 271 | 140 | 0.04 | 0.39 | 0.14 | 0.07 |
| 2. Budget Revenues | 4,066 ¹⁶ | 3,618 | 3,250 | 3,890 | 2.20 | 1.90 | 1.67 | 1.82 |
| 3. Other Budget Transfers | 0 | 420 | 848 | 70 | 0.00 | 0.22 | 0.44 | 0.03 |

| | | | | | | | | |
|--------------------|--------|--------|--------|--------|-------|-------|-------|------|
| Total Expenditures | 20,053 | 20,533 | 20,689 | 22,176 | 10.84 | 10.76 | 10.65 | 10.6 |
|--------------------|--------|--------|--------|--------|-------|-------|-------|------|

| | | | | | | | | |
|--|--------|--------|--------|--------|------|------|------|------|
| - Pensions | 17,244 | 17,733 | 17,739 | 19,000 | 9.32 | 9.29 | 9.13 | 8.88 |
| - Contributions for invalids | 179 | 174 | 188 | 194 | 0.10 | 0.09 | 0.10 | 0.09 |
| - Health insurance for retired persons | 2,292 | 2,319 | 2,461 | 2,675 | 1.24 | 1.22 | 1.27 | 1.25 |
| - Extension services | 128 | 132 | 132 | 132 | 0.07 | 0.07 | 0.07 | 0.06 |
| - Other expenditures | 210 | 175 | 169 | 175 | 0.11 | 0.09 | 0.09 | 0.08 |

| | | | | | | | | |
|-----------------------------------|-----|-----|-----|---|------|-------|-------|------|
| Deficit – Surplus during the year | 621 | -12 | -57 | 0 | 0.34 | -0.01 | -0.03 | 0.00 |
|-----------------------------------|-----|-----|-----|---|------|-------|-------|------|

¹⁵ Not included – the funds for pension adjustment for the users from MIA (Ministry of Internal Affairs) in an amount of 208 million denars.

¹⁶ Included revenues from late pensions in an amount of 550 million denars

HEALTH FUND

| | - in million denars | | | | - input in GDP in % | | | |
|---|---------------------|--------|--------------------|-----------------------------------|---------------------|-------|--------------------|---------------------|
| | 1997 | 1998 | 1999 estimation | 2000 ¹⁷ projections | 1997 | 1998 | 1999 estimation | 2000 projections |
| Total Revenues | 10,617 | 11,087 | 11,966 | 12,661 | 5.74 | 5.81 | 6.16 | 5.91 |
| 1. Source Revenues | 10,423 | 10,933 | 11,256 | 12,412 | 5.63 | 5.73 | 5.79 | 5.80 |
| - contributions | 6,727 | 6,736 | 6,811 | 7,425 | 3.64 | 3.53 | 3.51 | 3.47 |
| - contributions from pension fund | 2,416 | 2,309 | 2,374 | 2,675 | 1.31 | 1.21 | 1.22 | 1.25 |
| - contributions from employment fund | 887 | 1,037 | 1,341 | 1,392 | 0.48 | 0.54 | 0.69 | 0.65 |
| - other | 393 | 851 | 730 | 920 | 0.21 | 0.45 | 0.38 | 0.43 |
| 2. Budget Revenues | 194 | 109 | 244 | 244 | 0.10 | 0.06 | 0.13 | 0.11 |
| 3. Other Budget Transfers | 0 | 45 | 466 | 5 | 0.00 | 0.02 | 0.24 | 0.00 |
| Total Expenditures | 11,139 | 13,689 | 11,966 | 12,661 | 6.02 | 7.17 | 6.16 | 5.91 |
| - Immediate & Hospital health protection | 7,21 | 10,082 | 8,611 | 9,143 | 3.90 | 5.28 | 4.43 | 4.27 |
| - Expenses per programs | 194 | 215 | 244 | 244 | 0.10 | 0.11 | 0.13 | 0.11 |
| - Medicaments | 946 | 1214 | 1169 | 1242 | 0.51 | 0.64 | 0.60 | 0.58 |
| - Dental Services | 516 | 638 | 509 | 534 | 0.28 | 0.33 | 0.26 | 0.25 |
| - Orthopedic expenditures | 87 | 208 | 157 | 165 | 0.05 | 0.11 | 0.08 | 0.08 |
| - Hospital expenses abroad (compensation) | 196 | 288 | 222 | 234 | 0.11 | 0.15 | 0.11 | 0.11 |
| Other treatments | 678 | 722 | 693 | 727 | 0.37 | 0.38 | 0.36 | 0.34 |
| - Extension/Expert services | 166 | 310 | 192 | 202 | 0.09 | 0.16 | 0.10 | 0.09 |
| - Capital Investments | 67 | 12 | 49 | 50 | 0.04 | 0.01 | 0.03 | 0.02 |
| - Other Expenditures | 1,068 | 0 | 120 | 120 | 0.58 | 0.00 | 0.06 | 0.06 |
| Deficit – Surplus during the year | -522 | -2602 | 0 | 0 | -0.28 | -1.36 | 0.00 | 0.00 |

¹⁷ Not included – the funds for pension adjustment for the users from MIA (Ministry of Internal Affairs) in an amount of 208 million denars.

BUREAU FOR EMPLOYMENT

| | - in million denars | | | | - input in GDP in % | | | |
|--|---------------------|-------|--------------------|-----------------------------------|---------------------|-------|--------------------|---------------------|
| | 1997 | 1998 | 1999 estimation | 2000 ¹⁸ projections | 1997 | 1998 | 1999 estimation | 2000 projections |
| Total Revenues | 3,983 | 4,261 | 4,127 | 5,361 | 2.15 | 2.23 | 2.12 | 2.50 |
| 1. Source Revenues | 1,002 | 977 | 977 | 1,075 | 0.54 | 0.51 | 0.50 | 0.50 |
| - contributions from salaries | 993 | 968 | 972 | 1,069 | 0.54 | 0.51 | 0.50 | 0.50 |
| - other | 9 | 9 | 5 | 6 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Budget Revenues | 2,981 | 3,261 | 3,100 | 3,050 | 1.61 | 1.71 | 1.60 | 1.42 |
| 3. Other Budget Transfers | 0 | 23 | 50 | 1,236 | 0.00 | 0.01 | 0.03 | 0.58 |
| Total Expenditures | 4,244 | 4,369 | 4,127 | 5,361 | 2,29 | 2,29 | 2,12 | 2,50 |
| - Contributions for unemployed | 2.284 | 2.074 | 1.730 | 2.340 | 1.23 | 1.09 | 0.89 | 1.09 |
| - Contributions from health fund | 887 | 1.135 | 1.345 | 1.392 | 0.48 | 0.59 | 0.69 | 0.65 |
| - Contribution from pension fund | 908 | 980 | 872 | 1.443 | 0.49 | 0.51 | 0.45 | 0.67 |
| - Extension/Expert Services | 165 | 180 | 180 | 186 | 0.09 | 0.09 | 0.09 | 0.09 |
| Deficit - Surplus during the year | -261 | -108 | 0 | 0 | -0.14 | -0.06 | 0.00 | 0.00 |

¹⁸ Not included – the funds for pension adjustment for the users from MIA (Ministry of Internal Affairs) in an amount of 208 million denars.

MEASURES FOR REALIZATION OF THE MACROECONOMIC POLICY

| Direction | Types of Measures | | | Bearers | Dynamic |
|--|---|---------------|--|--|-----------------------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 1. Continuation of the process of reconciliation of salaries | Law on Salaries | | | Ministry of Labor and Social Policy | December 1999 |
| 2. Price control over certain types of goods and services | Decision for determination of the highest prices of certain type of goods and services | | | Ministry of Trade | March 2000 September 2000 |
| | Decisions on separate goods and services | | | Ministry of Trade | According to the term of maturing |
| 3. Reconciliation of prices of oil derivatives according to the movements of prices on the world market | Decision for issuance of an approval for the exit refinery price of certain oil derivatives | | | Committee for establishment of the highest prices of certain oil derivatives | According to the needs |
| 4. Building up, improvement and adoption of sub-statutory acts for regulating the purchase and sale relations of certain types of energy | | | Tariff system for sale of electric power | Ministry of Economy | October 2000 |
| | | | Tariff system for sale of heating energy | Ministry of Economy | April 2000 |
| | | | Tariff system for sale of geological and thermal energy | Ministry of Economy | November 2000 |
| | | | Tariff system for sale of natural gas | Municipalities in cooperation with authorized ministries | April 2000 |
| 5. Transformation of the organizational structure of the system for supply, transport and distribution of natural gas | | | Transformation of the JP (Public Enterprise) GAMA into AD (Share-holding company) GAMA | Ministry of Economy in cooperation with authorized ministries | Second quarter of 2000 |
| 6. Protection of producers of certain types of agricultural products | Decision on protective price of a certain agricultural product of the crop from 2000 | | | Ministry of Trade | January 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|--|--|---------------|---|-------------------------|---------------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 7. Analysis of the production, inventories and consumption of certain basic agricultural and food products | | | Material balances for the more important agricultural and food products in the Republic of Macedonia for the 2000 | Ministry of Development | January 2000 |
| 8. Analysis of the deficit, i.e. the surplus of basic food products, for the purpose of reconciliation of the offer and demand on the market | | | Inventory balances for the basic agricultural and food products | Ministry of Trade | January 2000 |
| 9. Limiting of the public consumption | Law on Limiting the Resource Income for Financing the Public Needs | | | Ministry of Finance | December 1999 |
| 10. Determination of the income and expenditure of the Budget | The Budget of the Republic of Macedonia for 2000 | | | Ministry of Finance | December 1999 |
| 11. | Law on Executing the Budget of the Republic of Macedonia for 2000 | | | Ministry of Finance | December 1999 |
| 12. Postponement of the implementation of the Law on Value Added Tax | Changes and Amendments of the Law on Value added Tax | | | Ministry of Finance | December 1999 |
| 13. Reconciliation with the Value Added Tax | Law on Excises | | | Ministry of Finance | First quarter of the year |
| 14. Reconciliation of the manner of payment and the allocation of the assets from the tax for temporary stay | Changes and Amendments of the Law on Taxes on Temporary Stay | | | Ministry of Economy | April 2000 |
| 15. Creation of conditions for stable incomes on the basis of excises from oil derivatives | | | Changing the Methodology for determination of retail sale prices of oil derivatives | Ministry of Finance | First quarter of the year |

| Direction | Types of Measures | | | Bearers | Dynamic |
|---|---|---------------|--|---|------------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 16. Rationalization of the administration | | | Program for reforms in the public administration | Ministry of Justice | First quarter 2000 |
| 17. Definition of the goals and duties of the Monetary Policy | | | Projection of the Monetary Policy in 2000 | The National Bank of the Republic of Macedonia | December 1999 |
| 18. Modernization and strengthening of the supervision control of the National Bank of the Republic of Macedonia | Changes and Amendments of the Law on the National Bank of the RM | | | The National Bank of the Republic of Macedonia | The beginning of 2000 |
| 19. Dynamic termination of credit limits for the purpose of improving the market of treasury bills and other securities | Decision on Termination of Credit Limits | | | The National Bank of the Republic of Macedonia | Second quarter of 2000 |
| 20. Increase of the efficiency and competitiveness of banks and saving houses | Changes and Amendments of the Law on Banks and Saving Houses | | | Ministry of Finance | Beginning of 2000 |
| 21. Reforms in the insurance of saving deposits and increase of the activities of the Fund | | | Program for operation of the Fund for insurance of saving deposits | Fund for Insurance of the Saving Deposits The Ministry of Finance and the National Bank of the Republic of Macedonia | Beginning of 2000 |
| 22. Arrangement of the foreign exchange policy and projection of the balance of payment for 2000 | Decision on the Foreign Exchange Policy and Projection of the balance of payment for 2000 | | | Ministry of Development in cooperation with the Ministry of Finance Ministry of Trade Ministry of Foreign Affairs And the National Bank of the Republic of Macedonia | December 1999 |
| 23. Arranging the Customs Operations | New Law on Customs | | | Ministry of Finance in cooperation with the Customs Administration and other ministries | April 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|---|--|---------------|--|---|--------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 24. Revision of the Customs Tariff and its reconciliation with the HS System of the EU | New Law on Customs Tariff reconciled with the HS System of the EU | | | Ministry of Trade Ministry of Economy Ministry of Finance, Customs Administration and other ministries | February 2000 |
| 25. Determination of closer conditions, the manner and terms under which agreements may be concluded for compensation works with abroad | Decision on Compensation Works with Abroad | | | Ministry of Trade | April 2000 |
| 26. Overcoming the current weaknesses in the realization of the free trade agreements | | | Changes and Amendments on the Free Trade Agreements with Slovenia, Croatia and FR Yugoslavia | Ministry of Trade in cooperation with other relevant ministries and the Customs Administration | First half of 2000 |
| 27. Improvement of the tourism | | | Program for tourist and informative and advertising activities | Ministry of Economy | January 2000 |
| 28. | | | Project for quality of products | Scientific institution | During 2000 |
| 29. Protection of the domestic production | Decision on introduction of anti-dumping fees | | | Ministry of Finance | First half of 2000 |
| 30. Initiating greater domestic production | Decision on determining customs contingents during import of raw materials for direct production in 2000 | | | Ministry of Finance and Ministry of Economy | January 2000 |
| 31. Arranging the systematic regulation | Decision for obtaining conditions for import and customs clearance of goods in 2000 | | | Ministry of Finance | February 2000 |
| 32. Determination of the policy for indebtedness | | | Preparation of strategy for indebtedness | Scientific Institution | During 2000 |
| 33. Financial support of the agricultural production | | | Program for initiation of the development of the agriculture | Ministry of Agriculture, Forestry and Water Economy | March 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|---|---|---------------|---|---|-------------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 34. Provision of appropriate health protection to animals from contagious diseases | | | Program for health protection | Ministry of Agriculture, Forestry and Water Economy | March 2000 |
| 35. | | | Program for health protection of animals | Ministry of Agriculture, Forestry and Water Economy | March 2000 |
| 36. Prevention and providing appropriate health protection to plants from diseases harmful insects and pests | | | Program for health protection of plants | Ministry of Agriculture, Forestry and Water Economy | March 2000 |
| 37. Review of the conditions and proposing measures for supervision and control of the health of domestic animals | | | National Strategy of the Republic of Macedonia for supervision, control and monitoring the health of domestic animals | Ministry of Agriculture, Forestry and Water Economy | January – February 2000 |
| 38. Reconciliation of the standardization of the EU for the purpose of exporting | | | Program for stigmatizing of the cattle in the Republic of Macedonia | Ministry of Agriculture, Forestry and Water Economy | May 2000 |
| 39. Initiation of the primary production for the purpose of decreasing the dependence from import | Changes and Amendments of the Law on Foreign Trade Operations | | | Ministry of Economy and Ministry of Trade in cooperation with other relevant ministries | January 2000 |
| 40. Termination of harmful quarry | | | Program for termination of harmful quarry | Ministry of Agriculture, Forestry and Water Economy | First quarter of 2000 |
| 41. Planting of moorlands and protection of woods from destruction | | | Program for planting | Ministry of Agriculture, Forestry and Water Economy | January 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|---|---|--|---|--|-----------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 42. Rehabilitation of the HS in the Republic of Macedonia Rural development of south and east regions of the country | | | Program for Investment in Agriculture | Ministry of Agriculture, Forestry and Water Economy | First quarter of 2000 |
| 43. Planing the development of the public infrastructure | | | Program for investments in the public sector of the Republic of Macedonia 2000 - 2002 | Ministry of Development | January 2000 |
| 44. Implementation of the Law on Free Economic Zones | | Establishment of a Directorate for Free Economic Zones | | Ministry of Development | First quarter of 2000 |
| 45. Assistance to the inventors on a higher professional level and support of the process of transferring the new scientific knowledge and technologies in the newly established small and medium enterprises | | Establishment of Innovation Centers and Technological Parks | | Ministry of Development Industrial Property Protection Office | During 2000 |
| 46. Greater protection of the rights on industrial property and greater application of patents and industrial design in practice | Changes and Amendments of the Law on Protection of Industrial Property Rights | Establishment of a Center for Technological monitoring, center for promotions of the innovation activities | | Ministry of Development Industrial Property Protection Office | During 2000 |
| 47. More aggressive promotion of the country and building the country's image as a good region for investments | | Development of the Department for promotion of investments in the frames of the Ministry of Development into a Center for promotion of investments | | Ministry of Development | First half of 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|--|--|--|---|-------------------------|---|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 48. Revitalization of industrial capacities, introduction of new technologies, cooperation with foreign institutions, centers and foundations in executing the investment projects | | Establishment of a Department for industrial policy in the frames of the Ministry of Development | | Ministry of Development | First half of 2000 |
| 49. Encircling the legislation related to the trade with securities | Changes and Amendments of the Law on Trade Companies and the Law on Securities | | | Ministry of Finance | February – March 2000 |
| 50. New legislation which will anticipate establishment of Macedonian Investment Funds with headquarters abroad and establishment of domestic investment funds (investment funds of closed and open type and combined) | Law o Investment Funds | | Establishment of Investment Fund with headquarters abroad | Ministry of Finance | The Law by February – March By the end of 2000 |
| 51. Capitalization of the Fund and its functioning as a financial inter-mediator | | | Program for training of professionals who will manage with the Fund | Ministry of Finance | February – March 2000 |
| 52. Preparation of a Program for education of the population in the domain of share-holding | | | Education Program | Privatization Agency | In continuation |
| 53. Various types of training programmes for managers shall be suggested, encouraged, stimulated and financially supported from abroad | | | Program for training of managers | Privatization Agency | In continuation during the whole year |

| Direction | Types of Measures | | | Bearers | Dynamic |
|---|--|---------------|--|--|--------------------------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| 54. Removal of all negative legal regulations in the legislation referring to the labour | Changes and Amendments of the Law on Employment and Security in Case of Unemployment, etc. | | | Ministry of Labor and Social Policy | The first three months |
| 55. Stimulation and improvement of the forms of employment of registered unemployment | | | National Strategy "National Agreement" | The Government, Union and Chamber of Commerce of the Macedonia | In 2000 |
| 56. Providing social security to beneficiaries of social protection | Law on Social Protection | | | Ministry of Labor and Social Policy | Beginning of 2000 |
| 57. | Decision on the basic criteria, the manner and conditions for obtaining social assistance | | | Ministry of Labor and Social Policy | Beginning of 2000 |
| 58. Continuation with the reforms in the Pension Sector | Law on Capitally Financed Pension System Law on Administrative Retirement | | | Ministry of Labor and Social Policy Ministry of Justice Ministry of Health | End of 2000 First quarter of 2000 |
| 59. Continuation with the reforms in the Health Sector | Law on Health Protection Law on Health Insurance | | Continuation with the Project for Transition in the Health Sector – World Bank | Ministry of Health | Beginning of 2000 End of 2000 |
| 60. Material assistance to unemployed persons – Technological surplus in companies owned by the state | Changes and Amendments of the Law on Employment and insurance in case of unemployment | | Project for emergency social assistance financed by the World Bank | | Beginning of 2000 Continuation |
| 61. Adoption of new laws and improvement of the current legislation | Law Against Corruption | | | Ministry of Finance | First half of 2000 |
| | Law Against Money Washing | | | Ministry of Finance | First half of 2000 |
| | Law on Foreign Exchange Operations | | | Ministry of Finance | First half of 2000 |
| | Law on Stock Reserves | | | Ministry of Economy | First half of 2000 |

| Direction | Types of Measures | | | Bearers | Dynamic |
|-----------|--|---------------|--|---|--------------------|
| | Legislative | Institutional | Other (financing, programmes, education) | | |
| | Law on Micro Economy | | | Ministry of Economy | First half of 2000 |
| | Law on Initiation of the Technological Development | | | Ministry of Economy | First half of 2000 |
| | Law on Mortgages | | | Ministry of Finance | First half of 2000 |
| | Law on Profit of Corporations | | | Ministry of Finance | First half of 2000 |
| | Law on Tax Administration | | | Ministry of Finance | First half of 2000 |
| | Law Against Monopolies | | | Ministry of Justice | First half of 2000 |
| | Changes and Amendments of the Law on Executive Procedure | | | Ministry of Finance | First half of 2000 |
| | Laws from the field of taxes | | | Ministry of Finance | First half of 2000 |
| | Law on Bankruptcy | | | Ministry of Finance | First half of 2000 |
| | Law on Denationalization | | | Ministry of Finance | First half of 2000 |
| | Law on Agricultural Land | | | Ministry of Construction and Urban Planning | First half of 2000 |
| | Law on Construction Land | | | Ministry of Finance | First half of 2000 |
| | Law on National Registries | | | Ministry of Finance | First half of 2000 |
| | Law on Undertaking, | | | Ministry of Finance | First half of 2000 |

ATTACHMENT 2

PRIVATIZATION: STATUS REPORT AS OF 31 DECEMBER 1999¹⁹

Sector structure at the beginning of privatization

| Sector | Number of companies | Number of employees | Equity in DM |
|---------------------|---------------------|---------------------|----------------------|
| Manufacturing | 403 | 149,174 | 2,153,582,302 |
| Construction | 117 | 33,499 | 231,190,832 |
| Trade | 385 | 20,773 | 494,080,941 |
| Transport & Traffic | 63 | 12,080 | 132,028,952 |
| Finance & Services | 120 | 4,417 | 51,334,955 |
| Crafts | 58 | 3,017 | 18,339,333 |
| Catering & Tourism | 70 | 5,890 | 218,710,606 |
| TOTAL | 1,216 | 228,850 | 3,299,267,922 |

(Statistics provided by the Payment Operations Service – POS, 31 December 1994)

Privatization processes in progress by 31 December 1999

| Sector | Number of companies | Number of employees | Equity in DM |
|---------------------|---------------------|---------------------|--------------------|
| Manufacturing | 57 | 12,201 | 168,098,149 |
| Agriculture | 55 | 9,150 | 141,940,070 |
| Construction | 9 | 326 | 1,230,830 |
| Trade | 29 | 2,088 | 53,396,946 |
| Transport & Traffic | 5 | 724 | 9,920,492 |
| Finance & Services | 13 | 296 | 4,015,088 |
| Craft | 1 | 75 | 360,000 |
| Catering & Tourism | 12 | 1,523 | 60,056,299 |
| TOTAL | 181 | 26,383 | 439,017,874 |

Privatization transactions finished by 31 December 1999

| Sector | Number of companies | Number of employees | Equity in DM |
|---------------------|---------------------|---------------------|----------------------|
| Manufacturing | 451 | 131,442 | 2,698,418,738 |
| Agriculture | 346 | 15,425 | 266,467,576 |
| Construction | 112 | 31,800 | 238,855,458 |
| Trade | 328 | 17,106 | 469,880,413 |
| Transport & Traffic | 50 | 7,653 | 72,539,536 |
| Finance & Services | 101 | 6,742 | 227,789,165 |
| Craft | 52 | 2,300 | 30,648,494 |
| Catering & Tourism | 48 | 3,483 | 133,799,676 |
| TOTAL | 1,488 | 215,951 | 4,138,399,055 |

¹⁹ The tables in the status report are also represented in graphic format and are available from the Secretariat in electronic format upon request from accessions@wto.org.

Progress of privatization – number of companies by sectors

| Sector | Privatized | In process | To be privatized |
|---------------------|------------|------------|------------------|
| Manufacturing | 451 | 57 | - |
| Agriculture | 346 | 55 | - |
| Construction | 112 | 9 | - |
| Trade | 328 | 29 | 28 |
| Transport & Traffic | 50 | 5 | 8 |
| Finance & Services | 101 | 13 | 6 |
| Craft | 52 | 1 | 5 |
| Catering & Tourism | 48 | 12 | 10 |
| TOTAL | 1,488 | 181 | 57 |

Progress of privatization – number of employees by sectors

| Sector | Privatized | In process | To be privatized |
|---------------------|------------|------------|------------------|
| Manufacturing | 131,442 | 12,201 | 5,531 |
| Agriculture | 15,425 | 9,150 | - |
| Construction | 31,800 | 326 | 1,373 |
| Trade | 17,106 | 2,088 | 1,579 |
| Transport & Traffic | 7,653 | 724 | 3,703 |
| Finance & Services | 6,742 | 296 | - |
| Craft | 2,300 | 75 | 642 |
| Catering & Tourism | 3,483 | 1,523 | 884 |
| TOTAL | 215,951 | 26,383 | 13,712 |

Progress of privatization - equity

(equity in DM)

| Sector | Privatized | In process | To be privatized |
|---------------------|---------------|-------------|------------------|
| Manufacturing | 2,698,418,738 | 168,098,149 | - |
| Agriculture | 266,467,576 | 141,940,070 | - |
| Construction | 238,855,458 | 1,230,830 | - |
| Trade | 469,880,413 | 53,396,946 | - |
| Transport & Traffic | 72,539,536 | 9,920,492 | 49,568,924 |
| Finance & Services | 227,789,165 | 4,015,088 | - |
| Craft | 30,648,494 | 360,000 | - |
| Catering & Tourism | 133,799,676 | 60,056,299 | 24,854,631 |
| TOTAL | 4,138,399,055 | 439,017,874 | 74,423,555 |

Number of privatized companies by sectors

| Sector | Privatized |
|---------------------|------------|
| Manufacturing | 451 |
| Agriculture | 346 |
| Construction | 112 |
| Trade | 328 |
| Transport & Traffic | 50 |
| Finance & Services | 101 |
| Craft | 52 |
| Catering & Tourism | 48 |
| TOTAL | 1,488 |

Number of privatized companies by model of privatization

| Model | Companies | Employees | Equity in DM |
|--------------------|-----------|-----------|---------------|
| Old law | 66 | 11,522 | 114,471,007 |
| EBO | 384 | 17,738 | 155,455,264 |
| Sale of Ideal Part | 67 | 15,812 | 364,062,157 |
| MBO | 247 | 72,720 | 1,391,121,939 |
| Leasing | 4 | 217 | 1,872,951 |
| Additional capital | 20 | 6,924 | 137,377,989 |
| Residual | 28 | 14,717 | 306,664,921 |
| D/E conversion | 75 | 18,656 | 552,297,526 |
| Foreign equity | 156 | 1,933 | 52,629,791 |
| Private equity | 128 | 5,143 | 57,762,915 |
| Liquidations | 164 | 984 | - |
| Buy-out | 149 | 49,585 | 1,004,682,596 |
| TOTAL | 1,488 | 215,951 | 4,138,399,055 |

Employees in privatized companies by model

| Model | Employees |
|--------------------|-----------|
| Old law | 11,522 |
| EBO | 17,738 |
| Sale of Ideal Part | 15,812 |
| MBO | 72,720 |
| Leasing | 217 |
| Additional capital | 6,924 |
| Residual | 14,717 |
| D/E conversion | 18,656 |
| Foreign equity | 1,933 |
| Private equity | 5,143 |
| Liquidations | 984 |
| Buy-out | 49,585 |
| TOTAL | 215,951 |

Equity in privatized companies – by model

| Model | Equity in DM |
|--------------------|---------------|
| Old law | 114,471,007 |
| EBO | 155,455,264 |
| Sale of Ideal Part | 364,062,157 |
| MBO | 1,391,121,939 |
| Leasing | 1,872,951 |
| Additional capital | 137,377,989 |
| Residual | 306,664,921 |
| D/E conversion | 552,297,526 |
| Foreign equity | 52,629,791 |
| Private equity | 57,762,915 |
| Liquidations | - |
| Buy-out | 1,004,682,596 |
| TOTAL | 4,138,399,055 |

Number of privatized companies – by size

| Size | Number of companies | Equity in DM |
|--------|---------------------|---------------|
| Large | 229 | 2,992,392,056 |
| Medium | 282 | 802,500,024 |
| Small | 977 | 343,506,976 |
| TOTAL | 1,488 | 4,138,399,055 |

ATTACHMENT 3

Regulations on the Quality of Agricultural and Food Products

I. REGULATIONS ON BEVERAGES

1. Regulation on the Quality of Wine (Official Gazette of SFRJ no. 17/81, 14/89);
2. Regulation on Alcohol Drinks (Official Gazette of SFRJ no. 16/88, 63/88);
3. Regulation on Alcohol Drinks and Soft Beverages, Ice and Vinegar (Official Gazette of SFRJ no. 31/63, 25/65, 45/71, 48/71, 59/72, 41/73, 25/75, 18/77, 13/78, 53/78, 2/82, 34/82, 52/83, 58/83, 16/88, 24/89, 91/91);
4. Regulation on the Quality of Refreshing Soft Drinks (Official Gazette of SFRJ no. 52/83, 56/83);
5. Regulation on the Quality of Beer (Official Gazette of SFRJ no. 91/91);
6. Regulation on the Quality of Natural Mineral Water (Official Gazette of SFRJ no. 58/78);
7. Regulation on Sampling Methods and Chemical and Physical Analyses of Alcohol Drinks (Official Gazette of SFRJ no. 70/87);

II. REGULATIONS ON COFFEE

8. Regulation on the Quality of Coffee and Coffee Surrogates, Tea, Spices, Yeast, Baking Powder, Pudding Powder, Diet Products and Food Additives (Official Gazette of SFRJ no. 22/63, 2/64, 25/65, 50/66, 10/67, 54/67, 15/68, 53/69, 27/71, 8/75, 58/77, 60/77, 13/78, 20/80, 41/80, 45/81, 52/86, 33/89);
9. Regulation on the Quality of Coffee, Coffee Products and Coffee Surrogates (Official Gazette of SFRJ no. 55/89, 57/89, 36/91);

III. REGULATIONS ON WHEAT AND BAKERY PRODUCTS

10. Regulation on the Quality of Wheat, Mill and Bakery Products, Pasta and Fast Frozen Dough (Official Gazette of SFRJ no. 53/83, 57/88);
11. Regulation on the Quality of Yeast (Official Gazette of SFRJ no. 32/87);
12. Regulation on the Quality of Biscuits and Alike Products (Official Gazette of SFRJ no. 68/78, 63/79);
13. Regulation on Sampling Methods and Chemical and Physical Analyses of the Quality of Wheat, Mill and Bakery Products (Official Gazette of SFRJ no. 74/88);
14. Directive on the Manner of Milling Wheat (Official Gazette of SFRJ no. 62/82, 10/83, 50/87);

IV. REGULATIONS ON EDIBLE OIL

15. Regulation on the Quality of Vegetable Edible Oils, Margarine, Mayonnaise, Sugar and Other Saccharids and Honey (Official Gazette of SFRJ no. 19/63, 2/64, 1/67, 27/71, 59/77, 13/78, 54/76, 59/77);
16. Regulation on the Quality of Edible Oils and Vegetable Fats, Margarine, Mayonnaise and Alike Products (Official Gazette of SFRJ no. 27/85, 51/91);
17. Regulation on the Quality of Edible Olive Oil and Mixed Olive Oil (Official Gazette of SFRJ no. 51/91)

V. REGULATIONS ON MILK

18. Regulation on the Quality of Milk, Dairy Products, Ferments and Pure Culture Media (Official Gazette of SFRJ no. 51/82, 39/89);
19. Regulation on Sampling Methods and Chemical and Physical Analyses of Milk and Dairy Products (Official Gazette of SFRJ no. 32/83);

VI. REGULATIONS ON EGGS

20. Regulation on the Quality of Eggs and Egg Products (Official Gazette of SFRJ no. 55/89);
21. Regulation on the Quality Inspection Methods for Eggs and Egg Products (Official Gazette of SFRJ no.72/87).

VII. REGULATIONS ON HONEY

22. Regulation on the Quality of Honey and other Bee Products and the Quality Control Methods for Honey and other Bee Products (Official Gazette of SFRJ no. 4/85)

VIII. REGULATIONS ON FOOD ADDITIVES

23. Regulation on the Quality of Food Additives (Official Gazette of SFRJ no. 39/89, 22/90);

IX. REGULATIONS ON COCOA

24. Regulation on the Quality of Cocoa Products, Products Similar to Chocolate, Cream Products and Bonbons (Official Gazette of SFRJ no. 23/88, 63/88, 36/89, 21/90);
25. Regulation on Sampling Methods and Chemical and Physical Analyses of Cocoa Beans, Cocoa Products, Products Similar to Chocolate, Bonbons, Cream Products, Biscuits and Products Similar to Biscuits (Official Gazette of SFRJ no. 41/87);

X. REGULATIONS ON PROTEINS

26. Regulation on the Quality of Protein Products and Mixture of Protein Products for the Food Industry (Official Gazette of SFRJ no. 41/85);
27. Regulation on Sampling Methods and Chemical and Physical Analyses of Protein Products for the Food Industry (Official Gazette of SFRJ no. 41/85);

XI. REGUALTIONS ON MEAT

28. Regulation on the Quality of Slaughtered Pigs and Classification of Pork Meat (Official Gazette of SFRJ no. 2/85, 12/85, 24/86);
29. Regulation on the Quality of Poultry Meat (Official Gazette of SFRJ no. 1/81, 51/88);
30. Regulation on the Quality of Slaughtered Live-stock and Game Meat (Official Gazette of SFRJ no. 34/74, 26/75, 13/87)
31. Regulation on the Quality of Meat Products (Official Gazette of SFRJ no. 29/74, 13/78, 41/80);
32. Regulation on the Quality of Poultry Meat Products (Official Gazette of SFRJ no. 55/91);

XII. REGULATIONS ON FISH

33. Regulation on the Quality of Fish, Shellfish, Sea Urchin, Frogs, Turtles, Snails and Products Thereof (Official Gazette of SFRJ no. 65/79, 48/84);

XIII. REGULATIONS ON SPICES

34. Regulation on the Quality of Spices, Spice Extracts and Spice Mixtures (Official Gazette of SFRJ no. 4/85, 84/87);

XIV. REGULATIONS ON FRUIT

35. Regulation on the Quality of Fruits, Vegetables and Mushrooms (Official Gazette of SFRJ no. 29/79, 53/87)
36. Regulation on the Quality of Fruits, Vegetable and Mushroom Products, and Pectine Preparations (Official Gazette of SFRJ no. 1/79, 20/82, 39/89, 74/90, 46/91);
37. Regulation on the Sampling Methods and Chemical and Physical Analyses of Fruit and Vegetable Products for the Purpose of Quality Control (Official Gazette of SFRJ no. 29/83)
38. Regulation on the Quality of Edible Mushrooms and Products of Edible Mushrooms (Official Gazette of SFRJ no. 46/91, 64/91);

XV. REGULATIONS ON VINEGAR

39. Regulation on the Quality of Acetic Acid and Diluted Acetic Acid (Official Gazette of SFRJ no. 24/89);
40. Regulation on Sampling Methods and Chemical and Physical Analyses of Acetic Acid and Diluted Acetic Acid for the Purpose of Quality Control (Official Gazette of SFRJ no. 26/89);

XVI. REGULATIONS ON SOUPS

41. Regulation on the Quality of Soups, Soup Concentrate, Sauces and Food Additives (Official Gazette of SFRJ no. 5/82, 58/85)

XVII. REGULATIONS ON FORAGE

42. Regulation on Forage (Official Gazette of SFRJ no. 15/89, 54/90);
43. Regulation on Sampling Methods and Chemical, Physical and Microbiological Analyses of Forage (Official Gazette of SFRJ no. 15/87);

ATTACHMENT 4

List of Regulations under the Ministry of Health Pertaining to Health Safety of Food

- 1. Law on Health Safety of Foodstuffs and General Use Articles (official Gazette of SFRY No. 53/91 and Official Gazette of RM No. 15/95)**
 - 1.1 Regulation on Conditions for Health Safety of the General Use Articles that May Be Released for Trade (Official Gazette of SFRY No. 26/83, 56/86)
 - 1.2 Regulation on the Sanitary Safety of Drinking Water (Official Gazette of SFRY No. 33/87)
 - 1.3 Regulation on Sampling Methods and the Methods for Laboratory Analysis of Drinking Water (Official Gazette of SFRY No. 33/87)
 - 1.4 Regulation on the Conditions Regarding the Microbiological Safety of Foodstuffs Released for Trade (Official Gazette of SFRY No. 45/83)
 - 1.5 Regulation on the Conditions Regarding the Health Safety of Diet Products That May Be Released for Trade (Official Gazette of SFRY No. 4/85)
 - 1.6 Regulation on Quantity of Pesticides and Other Poisonous Substances, Hormones, Antibiotics and Micotoxins that May be Present in the Foodstuffs (Official Gazette of SFRY No. 59/83, 79/87)
 - 1.7 Instruction on the Sampling Methods for Conducting Analyses and Super-analyses of Foodstuffs and General Use articles (Official Gazette of SFRY No. 60/78)
 - 1.8 Decision on Determining Health and Other Organizations that Meet the Requirements for Conducting Super-analyses of Foodstuffs and General Use Articles (Official Gazette of SFRY No. 39/93)
 - 1.9 Regulation on the Methods for Determining pH Value and Quantity of Toxic Metals and Non-metals in the Products for Personal Hygiene, Care and Beauty of Face and Body, and on Determining the Microbiological Safety Thereof (Official Gazette SFRY No. 46/83)

- 2. Law on Health Control of Foodstuffs and General Use Articles (Official Gazette of SFRY No. 29/73, 37/86 and Official Gazette of RM No. 15/95)**
 - 2.1 Regulation on the General Minimum Technical Requirements Regarding the Facilities, Machines and Equipment for Production, Storage, Keeping and Trade fo Goods and Services (Official Gazette of SRM No. 17/79)
 - 2.2 Regulation on the Conditions and the Manner for Examining Products and General Use Articles in the Course of Their Production and the Manner of Keeping Records for the Conducted Examinations (Official Gazette of SRM No. 20/76)
 - 2.3 Regulation on Courses, the Way in Which They Shall Be Delivered and the Manner in Which the Acquired Knowledge Shall Be Checked (Official Gazette of SRM No. 20/76)

ATTACHMENT 5

Bilateral Agreements on Protection of Investments

1. Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Croatia for Encouraging and Mutual Protection of Investments, 6 July 1994.
2. Agreement between the Republic of Macedonia and the Republic of Slovenia for Mutual Protection and Encouraging of Investments, 5 July 1996.
3. Agreement between the Government of the Republic of Macedonia and the Federal Government of the Federal Republic of Yugoslavia for Mutual Encouraging and Protection of Investments, 4 September 1996.
4. Agreement between the Republic of Macedonia and the Republic of Turkey for Encouraging and Mutual Protection of Investments, 14 July 1995.
5. Agreement between the Government of the Republic of Macedonia and the Federal Republic of Germany for Mutual Encouraging and Protection of Mutual Investments, 10 September 1996.
6. Agreement between the Government of the Republic of Macedonia and the Federal Council of Switzerland for Mutual Encouraging and Protection of Investments, 26 September 1996.
7. Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Poland for Encouraging and Mutual Protection of Investments, 28 November 1996.
8. Agreement between the Government of the Republic of Macedonia and the Government of Italy for Encouraging and Mutual Protection of Investments, 26 February 1997.
9. Agreement between the Government of the Republic of Macedonia and the People's Republic of China for Encouraging and Mutual Protection of Investments, 9 June 1997.
10. Agreement between the Government of the Republic of Macedonia and the Russian Federation for Encouraging and Mutual Protection of Investments, 21 October 1997.
11. Agreement between the Government of the Republic of Macedonia and the Democratic People's Republic of Korea for Encouraging and Mutual Protection of Investments, 15 December 1997.
12. Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Albania for Encouraging and Mutual Protection of Investments, 4 December 1997.
13. Agreement between the Government of the Republic of Macedonia and the Republic of France for Encouraging and Mutual Protection of Investments, 29 January 1998.
14. Agreement between the Government of the Republic of Macedonia and the Government of Ukraine for Encouraging and Mutual Protection of Investments, 2 March 1998.
15. Agreement between the Government of the Republic of Macedonia and the Government of Sweden for Encouraging and Mutual Protection of Investments, 7 May 1998.

16. Agreement between the Government of the Republic of Macedonia and the Government of Malaysia for Encouraging and Mutual Protection of Investments, 11 November 1997.
 17. Agreement between the Government of the Republic of Macedonia and Government of Netherlands for Encouraging and Mutual Protection of Investments, 7 July 1998.
 18. Agreement between the Government of the Republic of Macedonia and the Government of Belgium for Encouraging and Mutual Protection of Investments, 16 February 1999.
 19. Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Bulgaria Encouraging and Mutual Protection of Investments, 22 February 1999.
 20. Agreement between the Government of the Republic of Macedonia and the Government of the Republic of China (Taiwan) for Encouraging and Mutual Protection of Investments, 9 June 1999.
 21. Agreement between the Government of the Republic of Macedonia and the Government of Egypt for Encouraging and Mutual Protection of Investments, 22 November 1999.
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