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ACCESSION OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Memorandum on the Foreign Trade Regime

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 Agreement Establishing the World Trade Organization (WTO). The terms of reference of the Working Party are also contained in document WT/ACC/807/1.

In accordance with established procedures (WT/ACC/1), the Secretariat is circulating the attached Memorandum on the Foreign Trade Regime submitted by the authorities of the Former Yugoslav Republic of Macedonia. Members of the Working Party wishing to submit questions on the Memorandum are invited to do so by 21 May 1999 for transmission to the authorities of the Former Yugoslav Republic of Macedonia.

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I. INTRODUCTION

The Republic of Macedonia became an independent State on 8 September 1991. The new economic system which is being built after the independence is based on the respect for the market and its regulations. Freedom of market activities and of entrepreneurship is guaranteed by Article 55 of the Constitution.

The creation of an open and export oriented economy is a fundamental objective of economic reforms. To this effect, the Assembly of the Republic of Macedonia has passed a number of laws, whereas some laws are in the procedure of being adopted. The enacted laws of major significance for foreign trade are the following: the Law on Foreign Trade Operations, the Law on Foreign Exchange Transactions, the Law on Foreign Investment and others.

With the adoption of new laws in the sphere of foreign economic relations, an institutional basis and regulations for foreign trading activities of all legal entities (regardless of the ownership structure) have been created that have decided, on the basis of their business strategy, to pursue foreign trade.

These laws create a framework for modern and dynamic foreign economic relations on the basis of market criteria and principles. The Republic of Macedonia envisages its economic prosperity through the creation of a market economy that would sell a large part of its products on the world market. Economies in countries of a similar size to the Republic of Macedonia are necessarily oriented towards the world market. Although at the onset the adjustment of the national economy to the conditions and requirements of the world market is a difficult task, it is the only way of attaining a sustainable economic development.

The Republic of Macedonia, as a country, builds its position in international economic relations by observing international principles and standards. Although not a WTO Member, it respects basic GATT principles (principle of non-discrimination, principle of most-favoured-nation and national treatment), which, at the establishment of the World Trade Organization, became an integral part of its regulations. As one of the rightful successors to the former SFRY, a Contracting Party to the GATT, the Republic of Macedonia has incorporated all these principles into its legislation. This approach is proved by further liberalisation of foreign trade regime over the last three years.

Although the economy confronted rather serious difficulties and a marked decline in the Gross Social Product of over 50 per cent, foreign trade maintained its scope, which is an indicator of the significance the Government attaches to the process of reform based on the creation of a market economy. In order to successfully accomplish these objectives the Government attaches great importance to accession to the World Trade Organization and wishes to complete it as soon as possible.

II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

(a) General description (territory, population, economic specialisation, main economic indicators)

The Republic of Macedonia is a land-locked country situated in the very central part of the Balkan peninsula covering an area of 25,713 square kilometres. It borders on the Republic of Bulgaria in the east, the Republic of Albania in the west, the Federal Republic of Yugoslavia (Serbia and Montenegro) in the north and the Republic of Greece in the south. According to the 1994 Census

the country has 1.94 million inhabitants, with an annual increase of 0.8 per cent. The average density is 75 inhabitants per square kilometre.

In 1994 the Republic of Macedonia had a Gross Social Product (GSP) of United States' Dollars 1,323.5 million. Many subsequent years of decline of the Gross Social Product at the average annual rate of 10 per cent resulted in its 1994 level being approximately 50 per cent lower in comparison to 1989 (the last year in which production operated in stable conditions). Owing to these trends, GSP per capita decreased from United States' Dollars 1,197 reported for 1989 to United States' Dollars 637.8 in 1994 (calculated on the basis of material output).

The low level of economic activities in the period following 1989 is manifested in the decrease in 1994 of total investments in capital goods of about 49 per cent (in the economic sector by 41 per cent), of unemployment by 30 per cent, and wages of employees in the social sector by 48 per cent. The number of persons looking for jobs in 1995 reached the figure of approximately 230,000, which is the unemployment rate of close to 21.9 per cent (the number of persons looking for jobs vis-à-vis the active population). In comparison to 1989, the number of unemployed increased by 52 per cent.

In 1995, industry, agriculture and trade accounted for 39.8 per cent, 19.0 per cent and 19.3 per cent, respectively of the GSP.

The industrial structure in the period before 1991 had been mainly based on the exploitation of available natural resources. A large number of facilities in the sectors of ferrous and non-ferrous metallurgy and non-metal and construction materials industry have been constructed for the purpose of valorising mineral raw materials.

Basic and process chemical industries have accounted for about 9 per cent of industrial social product. There exists capacities for basic chemicals, polyacrylonitrile fibre, polyvinyl chloride, as well as detergents, fertilisers, polyurethane foams and fibres. Pharmaceutical and cosmetics firms are well established.

The textile industry, including fibres, fabrics and finished products, is a major employer and contributor to industrial social product (over 15 per cent). Cotton thread and fabric, denim cloth, wool yarn, fabric and knitted fabric, are the principal products. Ready-made clothing production has increased in response to demands from European and North American markets for quality merchandise at reasonable costs.

There is a significant leather and leather-processing industry. Pig, calf, cow, bull, lamb and sheep skins are all processed for the local manufacture of furniture, clothing and shoes. With the capacity for an annual production of 7 million pairs of shoes, this industry has been a major export earner.

On the grounds of the already existing metallurgy infrastructure and for the purpose of diversifying industry, the development of the complex of production of equipment and durable consumer goods has taken place, secured by way of opening up new plants in the metal-working sector, machine industry and car industry.

After World War II three-quarters of the population were engaged in agriculture; today it is about a sixth although it still accounts for about 20-25 per cent of social product. Total agricultural land is 1.3 million hectares, 43 per cent of which is arable, 4 per cent is in vineyards and orchards, and the rest is meadows and pasture. Five per cent is irrigated.

Macedonia's agricultural development has been based on its favourable weather conditions, fertile soil, skilled technological resources, irrigation systems, mechanisation and qualified personnel.

Construction has a long tradition in Macedonia: craftsmen, workers and companies have been active throughout the Balkans and all around the world. Over the last few years construction companies have suffered large damages, especially because of the sanctions imposed by the UN Security Council on Iraq, and later on SRY (Serbia and Montenegro). However, they are capable of executing all kinds of construction works (building construction, civil engineering construction, hydro engineering construction).

Substantial funds have been invested in construction and modernisation of transport infrastructure.

However, due to the situation in the country and in the wider region, only 50 per cent of the available production capacities are utilised.

(b) Current economic situation

The macroeconomic policy for 1995 has been conducted according to the regulations and decisions adopted at the beginning of the year and represents a continuation of the Stabilisation Programme.

Last year the commenced process of stabilisation of economic trends continued. The proofs are the continuing low inflation rate, stability of the Denar exchange rate and the increase in the foreign currency reserves. The control of monetary aggregates and wages were provided; the process of consolidation of the fiscal sector and the reduction of the existing deficits continued.

(i) Retail prices (by which inflation is measured) in 1995 increased (December 1995-December 1994) by 9.2 per cent (average monthly rate of 0.7 per cent) which is far below the figure projected for the mentioned period (17.8 per cent). Such a low increase was not recorded in the last two decades.

(ii) The restriction of the aggregate demand, as a factor for establishing macroeconomic balance, is ensured by consistent application of the monetary and credit policy, wages policy and budget expenditures. The programmed monetary policy was consistently implemented, the maintenance of the global liquidity being carried out through direct control and management of the money emission in the strictest meaning of the word (cash money in circulation, giro-accounts and money in bank safes) and through control of the increase in money stock (M1). Auctions of deposits and treasury bills, as well as the obligatory reserves as basic instruments for indirect regulation of money supply were successfully used. However, the instrument of direct regulations of money supply through the restriction of sales of Denar by banks was used parallel. The exchange rate was a main daily indicator of money supply and demand in the Macedonian economy.

Interests rates of the National Bank and of commercial banks were lowered; however they are still high and significantly exceed the inflation. The drop in the inflation was not followed in a timely manner and to the sufficient extent by the monetary policy, what, along with the high obligations resulting from accrued interests for preceding years, made this year's interest expenditures to be also high and to significantly burden the economy.

(iii) The fiscal policy provides for restrictive budgetary expenditures in accordance with the achieved revenues which are lower than projected. Low revenues are a result of a three time lower inflation than the projected for the preceding period, poorer economic activity than expected, as well as of the decreased sales tax and excises tax revenues.

(iv) In 1995 the primary objectives of the external sector policy were successfully attained. Namely, relations with multilateral and bilateral creditors were further normalised, the target Denar

exchange rate for Deutsche Marks is being maintained, the export of goods and services and the country's foreign currency reserves were increased.

More intensive co-operation with international financial institutions and organisations has been carried out, and specifically, possibilities and ways of settling outstanding credit liabilities and new crediting of our economy have been jointly looked for.

In order to intensify structural processes, the possibility has been created of using foreign funds, particularly by the conclusion of the stand-by arrangement.

(v) The expected results were not attained in the real sector, first of all as a consequence of the unilateral blockade as well as the UN sanctions imposed on neighbouring countries. This particularly relates to the decline of the industrial output which instead of the expected rise of 0.7 per cent is still negative. In the period January-December 1995 it was decreased by 10.7 per cent in comparison to the same period of 1994.

In the mentioned period, the national economy faced problems linked with aggravated sales of finished products, in the first place abroad, insufficient input of raw materials and semi-manufactures, aggravated and with some countries still not established payment arrangements; high operational costs and low competitiveness, primarily due to fact that the country has to use alternative roads that increase transport costs, outdated equipment in the prevailing number of capacities, high expenditures for wages caused by excessive employment.

(vi) In 1995 the institutional framework was established that contributed to dynamization of the process of reconstruction and rehabilitation of the banking sector. In accordance with the regulations, the linear rehabilitation of banks in the country and of the Stopanska banka AD - Skopje, was initiated. The frozen foreign currency savings and foreign currency accounts of all citizens have been eliminated from the bank balance sheets. The frozen foreign currency deposits as of 30 October 1995 totalled United States' Dollars 890 million. The State has also taken over obligations and claims resulting from foreign credits given by the Paris Club Creditors.

Liabilities resulting from foreign credits approved by banks and other financial institutions, namely by the London Club and Zurich Club of Creditors are still recorded in the banks but as non-balance records, pending the finalisation of negotiations with creditors.

At the same time, the process of reconstruction of the Stopanska banka AD - Skopje has been commenced; this process has resulted in five separated and privatised banks.

(vii) The reform conducted in the labour legislation and of the labour market eases and encourages the transformation of the economy, particularly privatisation and restructuring of enterprises with social capital. It has also facilitated free movement of the labour force from sectors and enterprises where there are excess workers towards sectors lacking labour force due to a high level of economic activity. This is linked with the establishment of a balance between the protection of workers and the possibility that the employer may adjust the number of the employed in companies to the altered economic conditions.

The amended labour legislation becomes compatible with the practice of market economy and it regulated the right of the employee to decide independently on the dismissal of the surplus labour force and the rights of employees in case of termination of employment.

In order to ensure social security of the workers to be dismissed owing to the implementation of the stabilisation policy and structural reforms, the system of social security based on fixed and real sources of funds has been set up.

(viii) The legislation regulating the pension system has been also amended. The aim has been to introduce measures that would cut pension expenditures, resolve gradually the accumulated deficit and improve the financial capacity of the pension fund.

The modifications have been made in the amount and manner of the current harmonisation of pensions, pension eligibility requirements have been tightened, and the payroll contributions to the pension fund have been increased.

(ix) The Law on Denationalisation and Restitution which is currently before Parliament will create conditions for reprivatisation of part of the social property. This will enable former owners to take part, that is to say to exercise certain rights in the process of privatisation of social property.

2. Economic Policies

(a) Main directions of the ongoing economic policies

(i) The basic principles the Government of the Republic of Macedonia applied when creating institutions and relations in the economic system are the respect for human rights and freedoms, ethics of civil society and the rule of law. With this in view, the Government is committed, in the first place, to the maintenance of peace and stability, wider international recognition and affirmation of the Republic of Macedonia, stabilisation of economic trends and elimination of the threat of total collapse and paralysis of the economy, radicalisation of economic reforms the ultimate aim of which is the creation of an environment of market economy, further development of the political system aimed at full constitution of the Republic of Macedonia as a democratic State of the rule of law, by observing the legal order and by avoiding legal and economic chaos.

The fundamental aim of the macroeconomic policy is to achieve macroeconomic stability and to bring down the inflation. In order to fulfil this task, the activities are focused on: increase in the exports of goods and services and the foreign currency inflows on all bases; securing of balanced funding of public expenditures; creation of conditions for regular energy supply of the economy and the supply of certain products for the population, as well as on securing the protection for the socially endangered population.

The accomplishment of these objectives and tasks of the macroeconomic policy presupposes: pursuance of the monetary policy with strict control of the money stock (M-1); maximum increase in the efficiency in collecting revenues for public needs and cut in certain expenditures; gradual balancing of foreign trade; direct control of prices for a small number of products more specifically for products and services of vital importance; establishment of a framework of possible movement of aggregate size of wages; narrowing of space for "grey" economy; strengthening of financial discipline.

The changes that took place in recent years in the countries of Eastern Europe and of the Balkan region, particularly the events that took place in the territory of the former SFRY had a strong bearing on current political and economic situation in the Republic of Macedonia. The political changes gave way to the accelerated process of radical reforms in the economic system aimed at market economy.

Following independence, the process of radical reform undertakings in the economic and political system continued. Changes are directed at introducing a market regulation of relations among economic entities. Efficient entrepreneurship and maximisation of profits on the market must become the basic motive of enterprises. Changes in the expansion of production capacity and property relations have a central place in the reform of the system.

A systematic and co-ordinated policy approach against the hyper-inflation commenced in early 1992 started with monetary independence and the introduction of the Macedonian Denar (April 1992).

The Anti-Inflatory Programme in the monetary sphere applied the concept of targeting the increase in the monetary supply. This concept was considered most adequate in the circumstances of non-existence of the developed structure of financial instruments and institutions and the impossibility of significantly using the interest rate as an instrument for regulating financial trends.

In the domain of fiscal policy, public consumption has been restricted and reduced to 35 per cent of GSP.

In order that stabilisation goals could be achieved in 1993 when there was no efficient fiscal system, the only area where the economic policy could work was the domain of wages and monetary policy. Conditions were created and the economic mechanism was changed, the basic instrument for the withdrawal and creation of money emission being foreseen to be the operations of auction sale and purchase of securities and foreign exchange transactions of the National Bank. The exchange rate and the interest rate constitute the main indicators of both money supply and the real money demand.

The discount rate of the National Bank is being fixed at the real level, on the basis of actual and projected inflation. Banks' interest rates are fixed freely, depending on the inflation rate and on the level of the discount rate.

With monetary independence, the Republic of Macedonia established a single Denar exchange rate, officially applicable to all kinds of transactions.

In the exchange sector, the regime of a flexible market-determined Denar rate has been introduced. The exchange market has been established and functions. On that market, enterprises, commercial banks and the National Bank carry out foreign exchange sales transactions. Independent exchange offices are included in the exchange operations. Consequently, in the period May to August 1993, the Denar exchange rate on all markets was stabilised.

(ii) The important results in establishing macroeconomic balance and economic stability at the global level have been achieved by the successful implementation of the Stabilisation Programme adopted by the Government.

The macroeconomic policy for 1995 was based on the very successful implementation of the Stabilisation Programme. The basic elements of the macroeconomic policy which have been also agreed upon with representatives of the IMF and the World Bank, are to proceed with the global trends and measures of the economic policy foreseen in this programme.

The 1995 macroeconomic policy focuses activities on the achievement of further cuts in inflation, acceleration of structural reforms and the creation of conditions for opening an investment cycle on qualitatively new grounds.

In 1995 the co-ordinated action and restrictive approach of the monetary policy, fiscal policy and revenue policy continued and on that basis they influenced the aggregate consumption.

In the framework of structural reforms the process of privatisation has been intensified, the process of financial rehabilitation of banks has commenced, the process and procedure for restructuring of enterprises have been intensified, particularly of the 25 largest loss-makers and their privatisation.

(iii) In 1995 wages as an important controlling element of the macroeconomic policy were determined on the basis of fixed proportions which provided for their harmonisation with the material possibilities of enterprises and of the economy on the whole. The control of wages is applied only to the employees in social, mixed and merged sectors, accounting for 83 per cent of employment. This, *inter alia*, provides for the increased motivation for the acceleration of the privatisation process. The wages policy by sectors is carried out in a differentiated manner, the rate of adjustment being more favourable for workers in the economic sector than for the non-economic sector and pensioners.

(iv) Prices for goods and services are in principle established freely on the market. In 1995, only flour, type "500" and the bread of 0.6 kilograms made of such flour, electric power, petroleum derivatives, railway transport charges and PTT services were subject to the regime of direct control.

As regards the prices for products subject to control, the real level covering operation costs and providing profits necessary for the normal functioning of the systems is being determined.

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.

(v) Fiscal policy is oriented at consolidating the fiscal sector and reducing the existing deficits by undertaking measures that would eliminate the existing reasons for the discrepancy between expenditures and revenues.

In 1995 the initiated reforms carried out in the sphere of the fiscal system in 1994 that had basically ensured rationalisation of the existing tax system and its compatibility with systems of the developed countries, continued to be implemented. The alterations and amendments to the Law on Sales Tax make up the follow-up to the realisation of the planned conceptual approach to gradual incorporation of solutions characteristic of the value added tax in order that conditions for its easier introduction in to our taxation system are provided.

(vi) In circumstances of limited material potentials, the regional development policy in this period is being carried out by encouraging the development of insufficiently developed regions in economic terms. In this connection, the normative framework has been adopted and according to the fixed criteria, there has been made a list of regions to have the status of economically underdeveloped regions in the period 1994-1998. In doing so, greater facilities with regard to the support were given to mountainous, border-line and compactly underdeveloped regions. The State Budget allocated funds to this effect, and the support is being provided by measures of tax, customs policy and pension and health insurance policy.

(vii) Privatisation. In the framework of structural reforms in 1995, the activities were focused on intensifying the process of privatisation and restructuring of enterprises.

During 1995 the process of privatisation was conducted at a faster speed and consequently a large number of enterprises was undergoing transformation; some of them have been already transformed, whereas part of them are commencing activities aimed at their transformation.

The underlying philosophy of the privatisation strategy and programme is that privatisation is considered to be a vehicle for increasing the efficiency of the economy. Higher efficiency in an enterprise can be achieved with dominant owners, who care and who are committed to preservation and increase of the value of their shares in the company. The common understanding is that commitment comes when somebody pays for the shares he receives. That is why the main method for privatisation is the sale, or case-by-case method, rather than vouchers or some other non-cash system.

The primary objective of the privatisation process, therefore, is to increase the efficiency of the economy through the transformation of enterprises with “social capital” into enterprises with defined ownership. Apart from this, other objectives are the following:

- to start the economy moving at a more stable and sustainable rate of growth;
- to increase productivity by mobilising the cash savings of citizens;
- mobilise and liquefy the so-called frozen hard currency savings deposits (please refer to section II.2(b)(vi));
- to increase credibility of other reform programmes and support for them;
- to assist in attracting foreign capital;
- to support the efforts required to establish a capital market.

Under the Law on Transformation of Enterprises with Social Capital (Official Gazette No. 38/93), it is expected that some 1,217 enterprises will be privatised (please refer to Table 1), 113 of them being large, 274 medium-sized and 830 small ones¹.

According to financial statements as of 31 December 1994, the book value of the enterprises to be privatised was 83.2 billion Denars, or United States' Dollars 2 billion. These enterprises represent over half of the total assets of the national economy and employ roughly half of all employees. Enterprises in public utilities, public works, large infrastructure systems, natural monopolies, agriculture, land, forestry and other natural resources are excluded from privatisation in this phase. Also excluded are some mixed and already private enterprises with foreign partners. Banks and savings institutions have been transformed in accordance to the Banks and Savings Institutions Law, as a part of a wider financial sector reform.

TABLE 1

Review of Enterprises by Size and Type of Capital as on 31 December 1994

	Enterprises	Employees	Total Capital (thousand Denars)
LARGE			
Social capital	39	56,847	14,659,018
Mixed capital	74	77,787	40,400,726
Total	113	134,634	55,059,744
MEDIUM			
Social capital	121	32,228	8,522,753
Mixed capital	153	34,645	12,469,152
Total	274	66,873	20,991,905
SMALL			
Social capital	499	16,982	3,602,272
Mixed capital	331	12,415	3,550,659
Total	830	29,397	7,102,931

¹ In accordance with the Privatisation Law at least two conditions out of three should be met for an enterprise to be classified as small, medium or large. A small company has no more than 50 employees, its total annual revenues are less than 8,000 average monthly salaries and the book value of its operating assets is not higher than 6,000 average monthly salaries. A medium-sized company has no more than 250 employees, its total annual revenues are less than 40,000 average monthly salaries and the book value of its operating assets is not higher than 30,000 average monthly salaries. Other companies exceeding these limits are categorised as large enterprises.

	Enterprises	Employees	Total Capital (thousand Denars)
TOTAL			
Social capital	659	106,057	26,784,043
Mixed capital	558	124,847	56,370,537
Total	1,217	230,904	83,154,580

Of the 1,217 enterprises mentioned above, as on 31 July 1995, 529 had submitted their privatisation plans to the Agency. Of that number, 276 plans were approved by the Privatisation Commission and of those 195 have completed the privatisation process. These numbers are increasing on a daily basis.

The central legal document governing the privatisation of socially-owned enterprises is the Law on Transformation of Enterprises with Social Capital enacted in June 1993 (Official Gazette No. 38/93). However, the enterprises started with the privatisation process four years earlier, after the passage of the Law on Social Capital (Official Gazette 84/89) by the former Federal Parliament. Immediately after the referendum for independence in September 1991, the Government announced that the federal law was no longer in force and that a new Macedonian law would soon be promulgated. The new law was enacted after extensive debate two years later. The practical realisation of the law occurred with the establishment of the Agency for Transformation of Enterprises with Social Capital in October 1993 (Official Gazette 38/93).

Other laws connected with the privatisation process that have been enacted by Parliament are the Foreign Investments Law (Official Gazette 31/93), Concession Law (Official Gazette 42/93) and Securities Law (Official Gazette 5/93).

According to the Law for Transformation of Enterprises with Social Capital, several methods or models of privatisation are available to enterprises. The methods are somewhat different depending on whether the enterprise is defined as small, medium or large. Small and medium-sized enterprises may choose a method, whereas large ones must select a method in consultation with the Agency.

Small enterprises may be privatised according to the following methods:

- Employee buy-out (EBO): The employees are given the opportunity to buy out the enterprise. They may do that if they purchase at least 51 per cent of the appraised value of the enterprise. They are obliged to buy the remaining part of the enterprise in equal annual instalments over the next 5 years without interest.
- Sale of an "ideal" part of the enterprise: A part of the enterprise may be sold by a public call for bids (after which an auction may be organised) or by a direct agreement with a prospective buyer.

Medium-sized enterprises may be privatised according to the following methods:

- Sale of the enterprise or a part of it: This is the same method as applied for the small enterprises.
- Buy-out of the enterprise: A buy-out is considered to be successful if at least 51 per cent of the value of social capital has been sold. The shares are sold through a public offering. The enterprise transfers the remaining unsold shares to the Agency as a preferred, non-voting

stock. The Agency is obliged to offer these shares to the public within a three month period after converting them into common shares.

- Leveraged management buy-out/management buy-in (LBO): An MBO/MBI agreement may be made with a group of people (employees or outsiders) who offer a business plan for the enterprise. According to this method the management group that offers the most attractive programme through public tender can obtain the right to control the enterprise by means of a down payment of only 20 per cent of the appraised value of the enterprise. The MBO/MBI team has the right to control the firm as if it had 51 per cent. They will be obliged to purchase at least 51 per cent of the shares in not more than 5 annual instalments with no interest charge. In the meantime the Agency holds the rest of the shares, which are preferred shares with an option of conversion into common stock if the shareholders do not pay the instalments or if other conditions are not fulfilled.
- Issue of shares for additional investment: The enterprise may increase its capital. If the new issue is greater than 30 per cent of the appraised value of the company, the Agency will make an agreement with the investor in which the investor will be offered an opportunity to purchase 51 per cent of the total number of shares of the firm within a period of not over 5 years. The Agency receives preferred shares with an option to convert them into common stock if the shareholders do not comply with paying the instalments on time.
- Debt/equity swap (D/E Swap): If the creditors find it viable, an exchange of debt for equity may be used as one of the methods of privatising a firm.

Large enterprises may be privatised according to the same methods as medium-sized ones. One difference is that the down payment for a leveraged MBO/MBI is only 10 per cent rather than 20 per cent. Another difference is that additional capital investment required is 15 per cent instead of 30 per cent. The Agency also plays a much more active role in the privatisation of large enterprises as compared to small or medium-sized ones.

In addition to these methods, there are three more possibilities for transformation. They may be applied to all enterprises irrespective of their size.

- Leasing: An enterprise may conclude a leasing agreement with a lessee after a call for public tenders. A clause of buying out the firm is included in the agreement, so that the lessee, while paying for the lease, also pays instalments on the purchase of the company over a period not longer than seven years.
- Sale of assets of the enterprise: Upon voluntary liquidation of an enterprise, its assets may be sold separately. If some liabilities remain uncovered, the Agency is not obliged to compensate for them. Employees are treated as under bankruptcy proceedings and may be rehired by the successor enterprise.
- Transformation of enterprises under the bankruptcy procedure: Upon the proposal of the leading creditor or creditors, an enterprise may suspend its bankruptcy proceedings for a period not to exceed 12 months in order to undertake certain activities for transformation, such as debt/equity swaps, programmes for refinancing, etc.

The major approach to Macedonian privatisation is commercial. It was a strategic decision of the Macedonian Government not to embark on a mass privatisation programme (e.g. through distribution of vouchers) since it was believed that this would only delay the main objective of the transformation process, namely improvement of efficiency.

The Law also provides for the following:

- Employees (current or retired) with at least two years service are offered a generous discount scheme. They have an initial discount of 30 per cent plus 1 per cent for each year they have been employed by the enterprise. For certain business units which were built with so-called general consumption funds, most of them being holiday resorts or restaurants, the initial discount is 50 per cent plus 1 per cent for each year worked in the firm, so that the maximum discount can be as high as 90 per cent. Each employee may buy shares at a discount up to an amount not higher than DEM 25,000 and employees as a group may not exceed 30 per cent of the appraised value of the company.

At the beginning when the enterprise starts the privatisation process it must automatically transfer 15 per cent of the social capital (in the form of shares or a stake) to the Pension and Disability Fund free of charge. Thus, it is expected that the Pension Fund will receive a huge amount of shares. These are non-voting, preferred and participating shares and they are expected to earn 2 per cent fixed dividend. This should significantly improve the financial situation of the Fund, especially in two to three years time. It is also expected that this would be one of the methods for restructuring the Pension Fund and for its transformation into an important financial intermediary in the market.

The dynamics at which the process of transformation of enterprises is being carried out is satisfactory, although not conducted at the necessary and expected tempo.

In 1995 the process of restructuring of enterprises (production, market, financial, organisational, staff) proceeded, the emphasis being placed on enterprises - the largest loss-makers in order that they could adjust to working in market conditions and become attractive for privatisation.

The restructuring of 25 largest enterprises showing losses in their operations was carried out in accordance with the Government's Special Restructuring Programme and respective programmes of these enterprises approved by the Government and verified by the World Bank's experts. Activities for privatisation of these enterprises have been undertaken.

In the framework of the restructuring process there is a trend of establishing new firms. A large number of enterprises has been registered (over 87 thousands) of which 95.8 per cent are private. The prevailing number of registered enterprises is operating in the sphere of trade and industry.

Priorities for the future

1. The Republic of Macedonia, as a sovereign and independent country, is committed to the promotion of a democratic society, guaranteeing fundamental rights and freedom to man and citizen acknowledged by international law, to introducing a market economy, to legal protection of property, to full co-operation with its neighbours and to gradual inclusion into the integration processes underway in Europe.

In the period of transition, the major priorities of the economic development are: establishment of the economic system and institutions imminent to systems in countries with market economy; opening of the wide process of privatisation of the social property, stabilisation of the economic trends with short-term perspectives for balancing the aggregate supply and demand and the cutting down of inflation by resolving balance of payments problems on the medium-term basis, gradual resolution of internal fiscal and quasi-fiscal deficits and accomplishment of the full financial discipline. In this framework, social safety of persons to be dismissed in the process of transition shall be ensured.

The short-term stabilisation of economic trends on both micro and then macro level shall create conditions for addressing the projection of the development strategy in the Republic of Macedonia.

Priorities of the development strategy shall be: adjustment of the economy by way of revitalisation and restructuring of the property and production; modernisation of the education system, and of the scientific infrastructure and information system; strengthening of private initiative, entrepreneurship and management; initiation of investment process primarily in small and medium enterprises by recruiting funds of foreign investors (directly or through joint investments) and infrastructure along the East-West transversal and with other neighbouring countries.

On these grounds, the Republic of Macedonia will establish in the long run a critical mass of necessary elements for strengthening democracy, boosting economic activities and commencement of the process of economic growth and development.

2. The activities aimed at elaborating the project "Development Strategy in the Republic of Macedonia" are under way. This project will have a priority significance in view of the fact that the Republic of Macedonia, following the independence, has not prepared a long-term development strategy, whereas the needs for such a project becomes ever more evident and topical.

Experts of the Macedonian Academy of Sciences and Arts and of other institutions shall prepare this project in consultation with foreign experts.

(b) Monetary and fiscal policy

The aims and tasks of the monetary policy are determined by a resolution adopted by the Assembly of the Republic of Macedonia which is prepared on the basis of the projected monetary policy which is made, as an independent document, by the Council of the National Bank.

The starting points in determining the 1995 fiscal policy were the projected retail prices increase and expected changes in the GSP and other monetary aggregates.

The main feature of the 1995 monetary policy is its restrictiveness aimed at stabilising economic trends and at reducing and maintaining a relatively low inflation rate of 17.8 per cent annually.

The money stock (deposited money and money in circulation) in 1995 may be increased by 19 per cent in comparison to the money stock as on 31 December 1994. The National Bank ensures this fixed rate of growth of the money stock by applying instruments of indirect control (auctions on deposits and treasury bills of the National Bank) and of direct control (restriction of banks' Denar credits).

The discount rate is fixed by the National Bank at the real positive level. Pending the institutionalisation of the mechanism that would provide for its market determination, the discount rate is being fixed on the basis of the average inflation rate in the last two months at the annual level, increased by 5 per cent at the annual level as a real part, from which the seasonally influenced inflation is being excluded.

The latest data on the monetary developments indicate that there is a full consistency between the achieved and projected trends. There are evident rapid inflation cut (8 per cent for the period December 1995-December 1994) and money demands, what provides space for cautious relaxation of the monetary policy, an issue currently negotiated with the IMF.

The discount rate is on the decline and currently amounts to 10 per cent annually.

(i) *Personal Income Tax*

The Law on Personal Income Tax regulates the manner of taxation of income of citizens and it is an obligation for all natural persons resident in the Republic of Macedonia in respect of the income made in the country and abroad on various grounds. Also, the personal income taxpayers are natural persons non-resident in relation to the income earned in the country. The following types of income are included in the income on which the taxation base is determined:

- personal income on the basis of employment, pensions and disability allowances;
- income coming from agriculture;
- personal income coming from economic and professional activity;
- revenues on property and property rights; and
- other kinds of income including; copyright income, industrial property rights income, profits on capital, profits on gaming, betting and lottery.

The tax base is the earned income decreased by the amount of one-fourth of the average wage in the Republic of Macedonia, what is extracted from the tax base of a taxpayer as a contribution to pension and disability insurance, health insurance and employment contribution, and other public charges paid from his income.

Personal income tax is paid annually on the aggregate income earned on all bases, whereas for certain kinds of income the advance income tax is calculated and paid from every income or on the basis of a decision made by the office of inland revenue.

The personal income tax rates are progressive and are given in Table 2

TABLE 2
Personal Income Tax Rates

For realised tax base	Rate
up to 2 average monthly wages (AMW)	23%
over 2 AMW up to 5 AMW	23% on the part of income up to 2 AMW + 27% on the part of income over 2 AMW
over 5 AMW	23% on the part of income up to 2 AMW + 27% on the part of income over 2 AMW + 35% on the part of the income over 5 AMW

As to avoid double taxation, the taxpayer is reduced the calculated income tax for the amount he paid as an income tax in another country, but not exceeding the amount that would be calculated by the application of tax rates prescribed by this Law.

For the non-resident taxpayer recruited as an expert in the domestic enterprise or institution, the calculated personal income tax is reduced by 50 per cent.

The annual income tax is determined by a decision of the office of inland revenue on the basis of the tax report the taxpayer is obliged to submit, business books and other data of significance to determining the tax obligation.

The income taxpayer is obliged to pay the difference between the anticipated and the calculated annual tax value within 30 days as of the day of receipt of the decision on the determined tax obligation.

The tax on personal income earned by working in foreign diplomatic and consular missions or officers of such missions in the Republic of Macedonia are exempt from taxes on the basis of reciprocity. This covers the following categories of taxpayers:

- heads of foreign diplomatic missions, accredited to the Republic of Macedonia, staff of foreign missions in the Republic of Macedonia, as well as members of their families, in case they are not citizens or residents of the Republic of Macedonia;
- heads of foreign consular missions and consular officials authorised to perform consular functions, as well as members of their families, in case they are not citizens or residents of the Republic of Macedonia;
- officials of the UN and its specialised agencies, as well as experts for technical assistance provided by the UN and by its specialised agencies;
- persons employed in foreign diplomatic and consular missions and in international organisations, persons working for heads of diplomatic and consular missions and international organisations, unless they are citizens or residents of the Republic of Macedonia;
- honorary consular officials of foreign consular missions for personal income and remuneration they receive from the appointing country for performing consular functions; and
- citizens of the Republic of Macedonia for the income they made in international organisations.

(ii) *Property Taxes*

The Law on Property Tax is based on standard classification applied in all modern fiscal systems; the single law regulates all property taxes paid on the owned property and on property sales (sales, exchange of immovables); the category of these taxes includes: property tax, inheritance and gift tax, sales tax on immovables and rights.

Property Tax

Property tax is paid for ownership of immovable and movable property: non-farming land, residential buildings and apartments, business premises, administrative buildings, buildings and apartments for vacation and recreation, garages and other buildings, as well as for passenger cars over 1.8 litres motor working capacity, buses, freight vehicles, freight trailer, tractor, combine, vessels and aircraft.

Property tax is not paid for business buildings and premises (except for administrative buildings) and movables used for performance of the taxpayer's business.

Every legal and natural person owning immovable and movable property is subject to property tax.

The property tax base is the market value of immovable and movable property the taxpayer declares in his tax report. If the office of inland revenue assesses that the declared market value is not realistic, the property value shall be determined by comparing it to the value of the same or of corresponding property of another taxpayer.

Property tax rates are proportional; for the immovables it amounts to 1.10 per cent and for movables 0.05 per cent.

Tax on Inheritance and Gifts

The tax on inheritance and gifts is paid on immovable property the heirs or gift recipients receive on the basis of the Law on Inheritance or on the basis of the gift contract.

The tax on inheritance and gifts is paid for the cash money, money claims, securities, and other movables if the market value of the inheritance or the gift exceeds the annual average wage in the Republic of Macedonia for the preceding year, according to the data provided by the Statistical Office.

Any natural or legal person, resident of the Republic of Macedonia inheriting some property, as well as any natural or legal person receiving property as a gift in the country and abroad is subject to payment of tax on inheritance and gift.

A foreign national, non-resident is also subject to paying inheritance and gift taxes on the immovable and movable property he inherits or receives as a gift in the territory of the Republic of Macedonia.

The tax base for the inheritance or the gift is the market value of the inheritance or the gift at the moment of coming to effect of the tax obligation, reduced for the debts and expenses burdening the property subject to taxation.

The property and gift tax rates are proportional and different depending on the kinship.

The property and gift tax rate is not paid by the heir or the gift recipient of first line kinship, of the second line the tax rate is 5 per cent, and for the third line or for taxpayer who is not in kinship with the bequestor, the tax rate is 10 per cent.

Sales Tax on Immovables and Rights

The sales tax is paid for the effected sales of immovables and rights; the concept of sale implies the transfer with compensation of right to ownership of immovables and rights and well as the exchange of one immovable property with another.

Any legal or natural person - seller of the immovable property, e.g. the right is subject to sales tax on immovables and rights; whereas in case of exchange a taxpayer who gives for exchange the immovable property of greater value shall be subject to this kind of tax.

The base for sales tax on immovables and rights is a market value of the immovable property and rights at the moment of the occurrence of the obligation, in case of the exchange of immovables, the tax base is the market values difference of immovables to be exchanged.

The market value is the price for the immovables and rights that may be achieved in free sale at the moment of occurrence of the tax obligation.

The sales tax rate on immovables and rights is proportional and it is set to 3 per cent.

(iii) *Sales Tax on Goods*

All domestic and imported goods are subject to sales tax on goods or excise paid at the rate foreseen for that product in the Tariff for the Sales Tax on Goods and Services or the Tariff for Excises. This implies that the sales tax or excise is paid at the same rate irrespective of whether the product is domestic or imported.

The tax treatment of a certain product when imported or of domestic products put in circulation depends on the intended use of such a product. Whether the tax shall be paid or not and whether the tax at a decreased rate of 5 per cent shall be paid depend on the fact whether the product is intended for further processing, final consumption or it is equipment.

Sales tax is not paid for imported products intended for production process. Neither is the sales tax paid for domestic products intended for further processing.

The equipment is subject to the sales tax of 5 per cent to be paid both in case of imports and procurement from domestic producers. The Law prescribes that only registered entities (legal entities and self-employed persons) may procure (import) equipment by paying 5 per cent. It also prescribes conditions under which such procurement (import) may be carried out: written declaration that the products to be procured shall be used as equipment for performance of certain business, non-cash payment, obligatory invoicing, indication in the invoice that the declaration has been made, etc.

In case of imports of products for final consumption by legal and natural persons, the sales tax of 25 per cent is paid. The same rate is applied to procurement of products for final production from domestic producers.

On the import of products, the tariff or the excise is calculated by the customs office. The customs office is in charge of collecting tax on products for final consumption and on products imported as equipment. This tax is collected by the Customs Office along with customs tariffs and other import charges. The Customs Office collects the tax on imported products for further sale only if a taxpayer does not use a bank guarantee for tax payment. If the importer-taxpayer decides to use a bank guarantee, he is obliged to pay the tax within 45 days as of the day of issuance of the customs import declaration (day of customs clearance).

The tax is paid twice a month on 5th and 20th for the preceding 15 days in which sold products have been paid. The new amendments to the Law introduces in wholesale trade the restriction of the right of the taxpayer not to pay tax until he collects payment for the sold merchandise. The taxpayer is obliged to pay taxes for non-collected claims within 5 days upon expiration of 45 days as of the end of the month in which that transaction, invoicing or delivery have been made.

TABLE 3

Share of the Sales Tax on Products, Services and Excises in the 1994 Budget

	Collected Funds (thousand Denars)	Share in Budget (%)
Sales tax on products		
- general rate of 25%	3,113,277	8.62
- reduced rate of 5%	1,739,171	4.82
Sales tax on services		
- general rate of 20%	1,765,126	4.89
- medium rate of 25%	50,241	0.14
- high rate of 35%	135,411	0.37
Excises		
- petroleum derivatives	9,105,775	25
- tobacco manufactures	889,815	2.46
- beverage	1,176,194	3.26
- passenger cars	766,742	2.12
- luxuries	138,472	0.38
- coffee	99,981	0.28
TOTAL	18,980,285	52.34

Note: Data is the compilation of 5-2 form
1994 State budget amounts to 36,103,404.784 Denars

Preparation for the introduction of VAT

In April 1994 the Government made a decision on the setting up a commission for the introduction of the value added tax. The intention is to introduce VAT instead of the existing sales tax on goods and services.

The Commission held nine meetings at which the preparation for the introduction of VAT in the Republic of Macedonia was discussed; it has also organised three seminars which discussed: theoretical consideration, experience of some countries with regard to the introduction and functioning of VAT and the draft working version of the Law on Value Added Tax.

A number of working groups have been established in the Ministry of Finance. They have been preparing solutions for several VAT areas: normative part, information basis, tax numbers and alike.

In the forthcoming period, preparations for the introduction of the value added tax will be accelerated; in this light, measures for computerisation of the Ministry of Finance with the aim of successful introduction of the VAT and technical training of the staff to be involved in these issues are being undertaken.

(iv) *Profit Tax*

Defining the taxpayer, the Law on Profit Tax indicates that the taxpayer is every legal and natural person performing a registered business with regard to the profits he earned in doing business in the territory of the Republic of Macedonia.

The tax base is reduced to the taxpayer for the share of the profits that has been invested (reinvested profits) in Macedonia, but not over 30 per cent of the tax base for such business.

A tax base of a taxpayer that invested part of profits in territories of economically underdeveloped municipalities and in specific areas (mountainous regions, border-line areas and compactly underdeveloped areas) shall be reduced for the amount of the invested funds.

Legal and natural persons non-residents of the Republic of Macedonia, performing registered business are reduced the payment of profit tax for the proportional share of the profits he is entitled to on the basis of invested funds for the period of first three years.

The amount of the proportional part of the profits the taxpayer - non-resident of the Republic of Macedonia is entitled to in the period of the first three years is determined for all invested funds (new investments) starting from 1 January 1994.

The taxpayer shall be reduced the tax payment obligation in the amount of the funds from profits invested in the protection of the environment and nature, as well as in international sports of significance for the country.

Funds invested in the protection of the environment and nature are funds intended for equipment, devices and instruments used for decrease in pollution and measurement of air, water and soil pollution, introduction of clean technologies as well as the construction of purification stations for communal and industrial waters, installation of filters for air pollution protection, production of products made of wastes, collection and depositing of communal and dangerous materials, etc.

The amount of funds invested from profits in international sports of significance to the State is proved by submitting appropriate documentation to the government authority competent for sport.

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

The new foreign exchange system was introduced with the adoption of the Law on Foreign Exchange Operations on 14 May 1993. Aims and tasks of the foreign exchange policy for 1994 were determined by the Resolution on Foreign Exchange Policy and Projection of the Balance of Payments of the Republic of Macedonia for 1994 (Official Gazette No. 78/93). Fundamental aims and tasks of this policy were agreed upon with the IMF in the framework of the stand-by arrangement concluded in January 1994.

The aims and tasks of the exchange policy for 1995 were set forth in the Resolution on the Exchange Policy and Projection of the Balance of Payments of the Republic of Macedonia for 1995 (Official Gazette No. 70/94). Fundamental aims and tasks of this policy were harmonised with the policy agreed upon IMF in the framework of the approved stand-by arrangement.

New concept of the exchange system is based on:

(i) *Fluctuating foreign exchange rate*

The basis of the new exchange conception is the introduction of the fluctuating Denar rate, that is to say of the exchange rate freely established according to supply and demand of foreign currencies on the exchange market.

(ii) *Foreign exchange market*

In mid May 1993 the first foreign exchange market started; it was based on qualitatively different principles from those applicable in the preceding period. Certainly, the major significance has the transition to competitive rate of the Denar exchange rate on the basis of supply and demand of foreign currencies, by which the principles of functioning of foreign exchange markets in developed market economies have been accepted.

Sellers of foreign currencies and potential buyers meet on a organised foreign exchange market. The following entities may take part in the foreign exchange market:

- enterprise and other legal entities;
- banks authorised to perform foreign transactions; and
- National Bank.

The exchange rate applicable to the sale of foreign currencies determined on the organised foreign exchange market. Namely, the exchange rate as a price to be paid for foreign currency is in direct correlation with the supply and demand.

The exchange market, constituted as a market within of banks authorised to perform external payments, continued to function in 1996.

In the first half of 1995, the exchange transactions totalled United States' Dollars 486.7 million, what is by 42 per cent higher that the foreign exchange earnings for the same period of 1994.

In the first half of 1995 the National Bank made interventions in the foreign exchange market. In doing so, in the first quarter it purchased foreign currency as a surplus on the exchange market in the amount of United States' Dollars 14.7 million, and it also sold United States' Dollars 18.8 million, whereas in the second quarter the total amount of foreign currency purchased by the National Bank amounted to United States' Dollars 7.3 million and it sold United States' Dollars 4.9 millions. This implies that in the second quarter the supply was larger than the demand. This kind of interventions of the National Bank was in the function of maintaining a stable Denar exchange rate in accordance with the stabilisation programme and monetary crediting policy.

Owing to the foreign exchange market organised in this manner, the foreign payment operations have been gradually brought into the banking system.

In view of the relatively short period of functioning of the foreign exchange system, the achieved results may be estimated as positive, and in the light of the experience gained thus far activities aimed at further advancement and improvement of the foreign exchange market must be undertaken.

(iii) *Foreign exchange system*

With the opening of the foreign exchange market in 1993, the exchange system has been established. The exchange operations were liberalised and consequently the range of entities entitled to take part perform was enlarged. Thereby besides the banks, foreign exchange transaction may be performed by other legal and natural persons. At that, the exchange operations may be performed by authorised exchange offices on their behalf and for their account or for the account of the authorised bank or of the National Bank upon the beforehand received permission by the Governor of the National Bank.

The National Bank may conclude contracts for carrying out exchange transactions with exchange offices; the purpose is to advances the turnover and the purchased funds are allocated for the foreign currency reserves.

(iv) *Use of the foreign exchange inflow earned on the basis of export of goods and services*

Enterprises and other legal entities that market their goods and services on foreign markets use their earnings for:

- payment for the imports of equipment, material inputs and other current payments abroad;
- selling it to another enterprise or legal entity, through an authorised bank;
- selling it to the authorised bank promptly or at a certain term;
- keeping it as their own deposit in the authorised bank with interest.

(v) *External payment operations*

External payment operations are carried out in foreign currency or in Denars through the bank authorised to work with abroad. The manner of performing payment operations is prescribed by the National Bank.

Enterprises are given the possibility of clearing their external liabilities and claims through the bank authorised to perform foreign transactions with abroad in the manner and under conditions prescribed by the Government.

Domestic entities are obliged to collect claims on grounds of imported goods and services within the agreed period but no later than 90 days as of the day when goods have been exported or when the service has been supplied.

Domestic entities may make external payments only after the goods have been exported or the service supplied, but no later than 180 days as of the day of realisation of the import.

In order that an enterprise may carry out imports, it must, when submitting a declaration for customs clearance of goods to the customs authorities, submit a certificate proving that it has provided foreign currency for payment of the particular import. This certificate is issued by the bank authorised to perform external payment operations.

External payments are carried out by the bank authorised to work with abroad on the basis of the order given by the domestic operators that are obliged to pay a Denar countervalue for the foreign currency at the exchange rate effective on the day of the execution of the order.

Entities having external liabilities resulting from credits and beneficiaries of convention obligations are obliged within the periods of maturation of such liabilities to secure foreign currency funds and to make them available to the authorised bank through which such obligation have been undertaken.

Foreigners in the Republic of Macedonia may have Denar and foreign currency accounts that is to say they may deposit Denars and foreign currency at a vista with the notice period or by making fixed-term deposits.

(vi) *Relations with the IMF and other international financial institutions*

The resolution of the IMF Executive Board of 14 December 1992 notes that the SFRY ceased to exist and the successor States in the Fund have been determined (Republic of Slovenia, Republic of Croatia, Republic of Macedonia, Republic of Bosnia and Herzegovina and the Federal Republic of Yugoslavia - Serbia and Montenegro). The successor States to the former SFRY were enabled to succeed membership of the SFRY starting from 1945, following the fulfilment of certain formal legal conditions and well as the servicing of due and outstanding liabilities of the SFRY resulting from credits disbursed by the Fund.

Rights and obligations of successor States to the former SFRY were determined by ascertaining share in percentage of each of the States. The assessment of the share has been based on certain criteria: the GSP level of the SFRY as well as indicators of the balance of payments of each of the successor States and their respective share at the level of the SFRY.

With the application of these criteria, the Republic of Macedonia was allocated the quota in the Fund in the amount of 33.5 million Special Drawing Rights.

In late 1992 the Republic of Macedonia started settling its obligations towards the IMF. The formal legal grounds for membership in the Fund were attained on 13 April 1993 with the adoption of the Law on Legal Succession of the Republic of Macedonia of the Membership in the International Monetary Fund (Official Gazette No. 23/93). Under this Law, the National Bank was authorised to carry out all transactions with the Fund, whereas funds necessary for settlement of due liabilities and liabilities to become due would be secured by the Republic of Macedonia.

All the criteria contained in the resolution of the IMF Executive Board having been fulfilled, the Republic of Macedonia was admitted to membership in the IMF on 21 April 1993. Following the admission to membership in the IMF, the Republic of Macedonia was visited by IMF missions when the approval of the IMF arrangement was discussed.

In early 1994 the IMF approved the STF arrangement in the amount of United States' Dollars 35.0 million. The first instalment was used to settle the liabilities of the Republic of Macedonia towards the World Bank.

As a result of the successfully implemented economic programme in 1994, in April 1995 the stand-by arrangement was approved for 13 months in the amount of 22.3 million Special Drawing Rights or 45 per cent of the quota, what facilitated the drawing of the second instalment from the STF arrangement.

The co-operation with the World Bank and its affiliations resulted in allocation of several loans. Thus for instance in 1994 two loans were approved: ERL (Economic Recovery Loan) in the amount of United States' Dollars 40 million from the International Bank for Reconstruction and Development and the same amount from IDA. The funds coming from these credits are directed at settling the outstanding obligations towards the IBRD in the amount of United States' Dollars 107 million. In 1995 the IBRD approved a loan for transport improvement in the amount of United States' Dollars 24 million and the IDA a loan for financial and structural adjustment of enterprises in the amount of United States' Dollars 85 million, as well as the credit for the social reform and technical assistance project in the amount of United States' Dollars 14.00.

As regards the co-operation with the EBRD the total amount of 75.55 million ECU have been approved and projects have been signed thus far. Of these funds, 67.2 million ECU have been allocated to the public sector and a significant amount of funds in the form of technical assistance.

As part of activities aimed at regulating the relations of the Republic of Macedonia with foreign creditors, the Government signed a minutes with the Paris Club Creditors in July 1995, and the signing of bilateral agreements with individual countries is to come. The minutes regulates: credits concluded before the reference date (2 December 1982) in the total amount of United States' Dollars 217.5 million to be due in the consolidation period and are over 0.5 million Special Drawing Rights to be rescheduled with the repayment term of 15.5 years and the grace period of 4 years as of 30 June 1995. The interest on arrears totalling United States' Dollars 42.66 million is to be rescheduled with the repayment term of 6.5 years and 3 years of grace period as of 30 June 1995. Credits concluded after the reference date has special rescheduling conditions. The total amount foreseen to be rescheduled under this Minutes amounts to United States' Dollars 329.4 million.

(d) Foreign and domestic investment policies

(i) *Domestic investment policies*

Economic operators enjoy full freedom of determining their future investment activities. They create autonomously their business policies in the field of future investments. Freedom of market and entrepreneurship and legal protection of property are guaranteed by the Constitution and may be limited by the law only for the defence purposes, protection of nature and the environment or health of the people (Article 55, paragraph 3 of the Constitution).

The Government of the Republic of Macedonia adopts measures that encourage economic development and is concerned with more equitable regional development and planning, as well as with faster development of underdeveloped regions in economic terms.

The country's macroeconomic policy endeavours to create conditions for implementation of investment activities by way of using domestic and external credits, as well as other funds.

Investments are also encouraged through annual development programmes for specific areas, with special projects in the public sector; investment in economically underdeveloped regions are also stimulated; construction of infrastructure and alike is supported.

The privatisation process creates conditions for stimulating investment in all spheres of economy with the special emphasis on small and medium enterprises.

(ii) *Foreign investment policies*

The Foreign Investment Act (Official Gazette No. 31/93) regulates issues related to foreign investments. This law is liberal and facilitates investment of funds for the purpose of carrying out economic and non-economic activities.

The basic principles this law is based on, which are provided for in Article 59 of the Constitution, are as follows:

- free transfer of profits;
- free transfer of invested capital.

Rights of the foreign investor are determined and protected by this law and cannot be reduced by any other law or regulation.

In the mentioned law, the Republic of Macedonia has established good grounds for foreign investments; along with other laws, it constitutes a legal basis for attracting foreign investors.

(e) Competition policies

Issues regarding requirements for and manner of trading are regulated by the Obligations Law, Law on Trading and the Law on Foreign Trade Operations.

Under the provision of the Law on Trading, State organs and organs of local self-government units, enterprises and other legal and natural persons cannot take actions limiting market and entrepreneurship, importation of goods and their marketing, or limiting free competition in some other manner.

In this light, enterprises are free to carry out business in conformity with the law. They are also free to select a business territory, to spread the selling network and alike. In this respect, there can be no discrimination among enterprises.

Activities of enterprises which run counter to good business customs and harm other enterprises engaged in trading and consumers are regarded as unfair competition, that is to say as actions aimed at disturbing the market and entrepreneurship. Sanctions by competent inspection organs are carried out against such actions. The Government may also undertake measures as to protect the market and entrepreneurship from such disturbances; the Ministry of Economy plans to have a commission for the protection against monopolistic conduct on the market, ungrounded reasons for restricting the market and entrepreneurship and from other actions disturbing the market and entrepreneurship.

Pursuant to the Law on Foreign Trade Operations, enterprises engaged in foreign trade are obliged to act in accordance with good business customs, special usances, business morals and other provisions by which equal position of legal entities is secured. Sanctions are foreseen for violations of the provisions of this law, that is to say for unfair competition in foreign trade.

3. Foreign Trade in Goods and Services

Foreign economic relations of the Republic of Macedonia in 1994 were carried out in complex trading situation both in the country and abroad. In such trading circumstances the total foreign trade exchange of the Republic in 1994 averages to United States' Dollars 2,570 million, what is an increase of about 14 per cent in comparison to 1993; the exports (1,086) have been insignificantly increased by 2.9 per cent and the imports (United States' Dollars 1,484 million) by 23.7 per cent. The trade balance deficit amounts to United States' Dollars 397.7 million (Table 4).

TABLE 4

Exports and Imports of Goods (1992-1994)

(thousand US\$)

	1992	1993	1994	Jan-Sept 1995
Exports of goods f.o.b.	1,198,626	1,055,343	1,086,343	916,135
Imports of goods c.i.f.	1,206,105	1,199,351	1,484,092	1,187,388
Trade balance	-7,479	- 444,053	- 397,749	- 271,203
Imports - exports ratio	99.4%	88.0%	73.2%	77.2%
Annual change rate in imports of goods	-5.4%	- 0.6%	23.4%	
Annual change rate in exports of goods	9.4%	-12.0%	2.9%	

Services export revenues amount to United States' Dollars 191 million and services outflow revenues to United States' Dollars 328 million.

In the total foreign trade of the Republic of Macedonia in 1994 (Table 5) European Communities' member States have a share of 30.5 per cent in exports and 37.8 per cent in imports; then follows Central and East European countries with 40.6 per cent in exports and 25.0 per cent in imports; the participation of the successor States of the former SFRY (Slovenia and Croatia) is also notable with 12.7 per cent in exports and 18.4 per cent in imports; EFTA countries have a share of 4.0 per cent in exports and 5.5 per cent in imports. The United States and Japan are separated from other industrial countries and their share is 8 per cent, whereas developing countries have a share of 8.5 per cent in exports and 4.9 per cent in imports.

TABLE 5

Structure of Imports and Exports in 1994

	Exports	Imports
TOTAL	100.0%	100.0%
Developed industrial countries	42.7%	51.4%
- European Communities	30.5%	37.8%
- EFTA	5.6%	4.5%
East European Countries	40.6%	25.0%
Developing countries	4.0%	5.2%
Successor States of the former SFRY	12.7%	18.4%
Most significant trade partners (total)	60.9%	53.3%
- Bulgaria	25.4%	15.7%
- Italy	10.5%	11.3%
- Germany	12.6%	16.8%
- Russian Federation	6.4%	2.7%
- United States	3.2%	3.5%
- Turkey	3.4%	3.3%

One of characteristics of the foreign trade exchange is that in recent years is has been concentrated on several more significant countries (Table 5): Bulgaria, Italy, Germany, the Russian Federation, the United States and Turkey. The Republic of Bulgaria has the largest share in exports amounting to 25.4 per cent, Italy 10.5 per cent, Germany 12.6 per cent; as regards the imports Germany holds a lead with 16.8 per cent followed by Bulgaria 15.7 per cent and Italy 11.3 per cent.

According to the intend use of the export structure (Table 6) minerals and manufactures have the largest shares of 50.4 per cent (United States' Dollars 547 million) of which raw materials and semi-finished goods make up 39 per cent, whereas the remaining part of 50.4 per cent is covered by ready made reproduction products and plant machines. Consumer goods have a share of 40.5 per cent (United States' Dollars 440.6 million) of which clothing and footwear 16.0 per cent, foodstuffs 9.2 per cent, whereas the rest is covered by beverages and tobacco, furniture, textile except clothing, medical pharmaceutical and cosmetic products and other consumer goods. The lowest share of 3.3 per cent (United States' Dollars 55.9 million) belongs to capital goods. In the import structure by intend use (Table 6), ratio is similar to the exports, that is to say the minerals and manufactures have

the largest share with 54.7 per cent (United States' Dollars 812.5 million) of which raw materials and semi-finished goods 25.1 per cent, finished production materials 19.8 per cent and plant fuel 9.7 per cent. Consumer goods have 31.5 per cent (food 14.4 per cent, clothing and footwear 6.4 per cent) and other.

TABLE 6

Export and Import in 1994 Grouped According to Intended Use of Product

(thousand US\$)

	Exports	Imports
TOTAL	1,086,343	1,484,092
Production materials	547,580	812,528
- Raw materials and semi finished goods	427,802	372,962
- Fuel	1,313	145,124
Finished production materials	118,465	294,441
Capital goods	55,882	194,581
- Plant machinery	722	2,965
- Agricultural machinery	594	3,209
- Metal-working tools and machinery	2,743	1,802
- Other tools and machinery	6,774	59,403
- Electric motors and machines	6,146	43,788
- Transport equipment	22,691	55,237
- Other capital goods	16,212	28,177
Consumer goods	440,651	468,627
- Food	100,651	214,388
- Beverages and tobacco	28,358	10,084
- Clothing and footwear	174,983	94,990
- Furniture	48,483	8,801
- Textiles (except clothing)	22,741	6,166
- Medical, pharmaceutical and cosmetic products	23,466	43,325
- Other consumer goods	42,052	90,807

4. Domestic Trade in Services Including Value and Composition of Foreign Direct Investment

Over the last few years, foreign investments were limited owing to geo-political situation in the region. The resolution of the military conflict in the region and enhancement of the security situation in the region create conditions for more substantial foreign investments in the economy of the Republic of Macedonia. According to the data provided by the Ministry of Foreign Affairs, where agreements on foreign investment are registered, the following was recorded for 1993 and 1994.

TABLE 7

Value of Investments Under the Agreements on Foreign Investment Registered in 1993

	Number of contracts	Total investment in DEM	Value of foreign capital in DEM	Share of foreign capital
Completely foreign	184	8,922,781	8,922,781	100%
Mixed	453	35,947,264	18,165,161	50.53%
Total	637	44,869,945	27,087,842	60.37%

TABLE 8

Value of Investments Under the Agreements on Foreign Investment Registered in 1994

	Number of contracts	Total investment in DEM	Value of foreign capital in DEM	Share of foreign capital
Completely foreign	249	6,584,797	6,584,797	100%
Mixed	386	26,623,471	8,637,000	32.44%
1Total	635	33,208,268	15,221,797	45.83%

5. Information on Growth in Trade in Goods and Services Over Recent Years and Forecasts For Years to Come

1. In conditions of price disparity of the net export economy (due to the level of the Denar exchange rate) and unfavourable external environment in the period January-August 1995, the value of the exported goods was by 20.2 per cent higher than for the same period of 1994, whereas the value of the imported goods were by 15.5 per cent increased.

The export structure is featured by further relatively significant increase in goods of low finishing level (raw materials and semi-manufactures) and their dominant share in the total exports (56 per cent). In contrast to this, the respective shares of consumer goods and of investment goods are decreased and account for 35.4 and 4 per cent respectively.

The most marked increase in the imports of goods was realised for raw materials and semi-manufactures and consumer goods; consequently the supply of the domestic market was increased. In the total imports, raw materials and semi manufactures account for 59 per cent, whereas the share of the consumer goods is 30 per cent.

The degree of imports coverage is increased by 3 per cent in comparison to the same period of 1994 and amounts to 77.5 per cent.

As a result of foreign trade developments, there has been established a trade deficit of United States' Dollars 239 million what is close to the projected level for this period of the year and to the level established for the same period of 1994.

Total foreign currency outflow for payment of imported goods in the period January to August 1995 amounts to United States' Dollars 696 million, of which raw materials and semi-manufactures accounted for 46 per cent, consumer goods for 39 per cent and other exports for 16 per cent.

In the domain of non-commodity foreign currency transactions, the negative balance continued, first of all due to increased expenditures for transport (blockade and sanctions) and business services. There exists negative balance for tourist services as well.

2. In 1996 the balance of payments is expected to be effected in conditions of more harmonised relations between trade and current balance, increase in inflow of long-term foreign capital, regular settlement of obligations towards the World Bank, IFC, EIB, Paris Club and other creditors with which credit relations shall be regulated; the foreign currency reserves shall be also increased.

Credits from the World Bank intended for implementation of structural reforms shall continue to be used. It is expected that new credit lines for industrial and agricultural sectors and for roads are to be used.

It is also expected that credits from the IMF, IFC, EBRD and EIB are to be used.

Larger inflow of official external assistance in the form of funds and goods is expected next year.

The policy of maintaining stable Denar exchange rate shall be continued. If there appears a trend pressuring the Denar depreciation, the increase in primary money emission shall be reduced, the evaluation of the balance of payments situation shall be made and in the case it is aggravated, Denar depreciation shall be made.

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

Parliamentary democracy in the Republic of Macedonia is based on the principle of separation of powers into legislative (Assembly), executive (Government) and judicial (courts).

The President of the Republic of Macedonia represents the State. The President is elected in general and direct elections, by secret ballot, for a five year term of office. In addition to other constitutional powers, the President nominates a mandator to constitute the Government of the Republic of Macedonia, proposes judges to the Constitutional Court, appoints and dismisses certain holders of State and public functions, signs promulgation declaring the law, etc. The President of the Republic may not sign the promulgation declaring the law; as a consequence, the Assembly is obliged to examine it once again.

The Assembly of the Republic of Macedonia is a supreme legislative body, composed of 120 members elected for a 4 year term of office, in general and direct election, by secret ballot. The last elections were held in late 1994. Among other things, the Assembly passes laws and provides authentic interpretation of the laws, adopts the budget and the balance of payments, makes decisions concerning the reserves of the State, ratifies international agreements, elects the Government of the Republic of Macedonia, carries out political monitoring and supervision of the Government, makes decisions on membership in international organisations, at the proposal of the President of the Republic, appoints the Governor of the National Bank of Macedonia and the Director of the Customs Administration of Macedonia, etc.

The laws passed by the Assembly are declared by promulgation signed by the President of the Republic and the President of the Assembly.

The Government of the Republic of Macedonia is elected by the Assembly, by majority vote of the total number of its members, at the proposal of the mandator and on the basis of the programme. For its work, the Government is accountable before the Assembly and the executive power is vested in it.

The Government is composed of President of the Government, three Vice-Presidents and 15 ministers. The Government is responsible for the policy of carrying out the laws and other regulations passed by the Assembly. Among other things, it proposes laws, budget and other regulations for adoption by the Assembly, adopts decrees and other regulations necessary for execution of laws, proposes decisions on the reserves of the Republic of Macedonia and sees to their execution, lays down principles of internal organisation and work of ministries and other organs of administration, etc. Ministries perform the work in their jurisdiction independently, on the basis and in the framework of the Constitution and laws. For their work they are accountable to the Government.

The judicial power is exercised by courts. They are autonomous and independent and judge on the basis of the Constitution and laws, as well as on the basis of international agreements ratified by the Republic of Macedonia. The Supreme Court is the highest court in the Republic, providing uniformity in the implementation of laws by courts.

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

The Ministry of Foreign Affairs is a Government organ responsible for policy of foreign economic relations. It carries out this duty in co-operation with the Ministry of Finance, Ministry of Development, Ministry of Agriculture, Forestry and Water Resources Management, the Ministry of Economy and other. The Ministry of Foreign Affairs, in co-operation with other competent ministries, is responsible for preparation of laws and regulations in the field of foreign trade, it submits to the Government which then proposes them to the Assembly. In the framework of the Ministry of Foreign Affairs, there is the economic part consisting of the Sector for Bilateral Economic Relations, the European Communities' Sector and the International Economic Organisations and Integrations Sector.

Part of the mandate of the Ministry of Finance is the co-operation with international financial institutions and regulation of credit relations with foreign creditors. This Ministry is also responsible for creation of the customs policy, in co-operation with the Ministry of Economy, Ministry of Foreign Affairs, Ministry of Development, Customs Administration and other State organs. The Customs Tariff Act, in the procedure before the Assembly, is proposed by the Ministry of Finance, through the Government.

In addition to other competencies, the Ministry of Economy has a specific role in the field of tourism and catering. At that it creates a tourism development policy, by giving proposals for possible investment areas, sources of foreign funds, bank credits from international financial institutions and technical assistance and is concerned with the realisation of the general tourist propaganda.

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

In the Republic of Macedonia local governments have no direct role in the field of foreign trade operations and in the field of creation of foreign economic relations. In light of the size of the Republic of Macedonia, the authority in this sphere is located in the central government.

4. Any Legislative Programmes or Plans to Change the Regulatory Regime

The adoption of the Customs Tariff Act is under way. It is planned to be passed by the end of the first half of this year. WTO Members shall be informed of the provisions of this Act through the WTO Secretariat as soon as it has been adopted by the Assembly.

5. Laws and Legal Acts

1. The Law on Foreign Trade Operations (Official Gazette Nos. 31/93, 41/93 and 78/93).
2. The Law on Foreign Exchange Transactions (Official Gazette No. 31/93).
3. The Foreign Investment Act (Official Gazette No. 31/93).
4. The Customs Tariff Act (Official Gazette of the SFRY Nos. 22/78, 5/79, 29/83, 7/84, 71/84, 69/85, 70/86, 81/87, 14/88, 55/89, 59/90, 75/91, 96/91 and the Official Gazette of the Republic of Macedonia 1/94 and 70/94).
5. The Customs Act (Official Gazette No. 20/93).
6. The Investment Act.
7. The Concessions Act.
8. The Law on Tourist and Catering Services.
9. The Law amending the Law on Payment of Special Levies for Equalling Tax Payments for Imported Goods (Official Gazette Nos. 70/94 and 34/92).
10. The Regulation regarding temporary import and export of goods (Official Gazette No. 20/94).
11. The Regulation regarding representation of foreign legal and natural persons in the Republic of Macedonia in the field of foreign trade (Official Gazette No. 78/93).
12. The Regulation regarding more detailed requirements for establishment and operation of representative offices of foreign legal and natural persons the Republic of Macedonia (Official Gazette No. 25/95).
13. The Resolution on Distribution of Goods to Forms of Importation and Exportation (Official Gazette Nos. 81/93, 38/94, 52/94, 57/94, 22/95, 50/95).
14. The Resolution on More Detailed Requirements, Manner and Periods for Which Barter Arrangements can be Concluded (Official Gazette No. 70/94).
15. The Resolution on Auction Allocation of Quotas for Importation and Exportation of Certain Goods (Official Gazette Nos. 30/94, 38/94, 70/94, 37/95 and 2/96).
16. The Resolution on customs duty and other import taxes drawback and on other export incentive measures (Official Gazette No. 81/93).
17. The Rules for minimum technical requirements for execution of catering services and of tourist brokerage.
18. The Law on Stay Tax.

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

In the framework of the Chamber of Commerce of Macedonia there are the Arbitral Court (arbitration) and the Court of Honour, acting as independent bodies.

The organisation, procedure and other issues linked with the work of the Arbitral Court are regulated by the Rules of the Arbitral Court (Arbitration) in the framework of the Chamber of Commerce of Macedonia.

It is a permanent arbitration and its work is grounded exclusively on the principles of voluntariness, independence and autonomy. It is responsible for non-contentious settlement of disputes that arise in trade in good and services (commercial disputes).

Pursuant to the Rules of this Court, the proceedings aimed at mediation, agreement, settlement of disputes among the member of the Chamber of Commerce, as well as disputes involving foreign entities, if the parties agree on its jurisdiction, may be initiated before it.

The agreement on the jurisdiction of arbitration must have the form of arbitration agreement made in writing. It may have the form of arbitration clause within the basic agreement or may be a separate arbitration agreement stating unambiguously that the dispute shall be resolved by arbitration, in accordance with the provisions of its rules.

The Arbitral Court has a President, vice-president and arbiters appointed by the Assembly of the Chamber.

Parties may select arbiters from the arbiters' list, if they do not agree otherwise.

The Court of Honour, in accordance with the Rules for Organization, Procedures and Operation of the Court of Honour in the framework of the Chamber of Commerce of Macedonia, makes decisions on violations of good business customs in the work of the members, as well as on activities constituting unfair competition or monopoly conduct.

The Court of Honour has its President, vice-president and members, appointed by the Assembly of the Chamber of Commerce.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import Regulation

(a) Registration requirements for engaging in importing

Provisions of the Law on Foreign Trade Operations (Official Gazette No. 31/93) set forth requirements for engaging in foreign trade, the common denominator of which is further liberalisation of foreign trade.

Practically it depends on the will, business policy and objectives of enterprises, that is to say legal entities, as well as on the fulfilment of legally prescribed requirements whether they will engage in foreign trade (import, export or import-export). The basic condition for performance of foreign trade is the decision of the enterprise's governing body that the enterprise shall engage in that activity.

Enterprises and other legal entities may be registered for:

- performance of foreign trade only (import, export or import/export);
- foreign trade may be only one of the lines of business of an enterprise;
- carrying out import and export for their own needs.

As regards professional staff necessary for performance of foreign trade, the law provides that enterprises by their internal regulations may regulate requirements to be met by employees for performance of foreign trade.

(b) Characteristics of national tariff

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. In this light, the procedure for the adoption of the new Customs Tariffs Act is under way; it is supposed to be completed in the near future. The Act having been passed, WTO Members shall be immediately notified of its provisions through the WTO Secretariat.

(c) Tariff quotas, tariff exemptions

Please refer to section IV.1(b).

(d) Other duties and charges

Please refer to section IV.1(b).

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

With the adoption of the Law on Foreign Trade Operations and other legal regulations the Government adopted in this sphere during 1993 and 1994, import is regulated through three forms, which are as follows:

- free imports "LB";
- licence imports, that is to say imports by determining quotas "Q";
- and imports on the basis of "L" licence (in case of implementation of international agreements, regulation of military equipment importation, imports of historic and artistic works and imports of certain precious metals, narcotic drugs and alike).

The Law and legal regulation provide for almost full liberalisation of imports of goods. According to the existing customs tariff, only 130 items in the imports of goods are subject to the "Q" regime; this makes up 1.8 per cent of the total customs tariff items (7,220), that is to say 98.2 per cent is on the "LB" regime. For instance, the most important export goods in the country, such as textile products, chemical products, leather products and the prevailing part of non-ferrous metallurgy, are on the "LB" regime.

For the purpose of safeguarding domestic production, out of 130 items subject to "Q" regime, the agriculture is protected by 50 per cent of items and it is only of seasonal character. In the same manner, part of the production of buses and of the ferrous production are also protected.

The list of products subject to "L" and "Q" regimes is given in Annex II to the Memorandum.

On the basis of the recommendation of the competent State organ (Ministry of Foreign Affairs) and having obtained the opinion of the Ministry of Economy and the Ministry of Agriculture, Forestry and Water Management, the Government, on 31 October every year, determines quantities and values of the approved quotas and the import dynamics for the particular year.

The resolution on distribution of goods subject to import regime is published in the Official Gazette.

Decisions on allocation of goods subject to quotas or licences are issued by the competent State organ (Ministry of Foreign Affairs).

The distribution of quotas is usually planned on a yearly basis, but if the import or export takes over one year, the quota is determined according to the necessary period.

(f) Import licensing procedures

In early 1994 the Government made a special Resolution on the auction distribution of goods subject to import/export regime, that is to say introduced more objective approach to the allocation of goods subject to "Q" import regime. The allocation is carried out on a quarterly basis through auctions and the procedure was agreed upon with international financial institutions in 1993.

The right to participation in an auction for allocation of imports of goods subject to a “Q” regime may be exercised by all legal entities and entrepreneurs registered for foreign trade.

Auctions are carried out by the Ministry of Foreign Affairs.

The Commission carrying out the auction is composed of the chairman and four members, of whom three members come from the Ministry of Foreign Affairs, and one each from the Ministry of Economy, the Ministry of Agriculture and the Ministry of Finance, respectively.

The Commission schedules the auction and informs of it in the mass media. The invitation must indicate the following:

- place, date and time of auction;
- kind of goods and size of quota or part of quota to be allocated by way of auction;
- amount to be paid as the auction participation deposit;
- number of the account the participation deposit is to be remitted to;
- time limit for the effectuation of import;
- deadline and manner for application.

The Commission must provide secrecy of applications.

Auction is public and a representative of the enterprise or an entrepreneur may take part in it. The Commission opens publicly the envelopes which contain individual applications and if it determines that an application contains required elements made public in the auction invitation, it declares it valid.

By the end of the working hours of the same day, the Commission displays on the notice board of the Ministry of Foreign Affairs the order of enterprises or entrepreneurs whose applications are correct, indicating the following elements:

- name;
- quantity of the requested goods for import;
- size of the allocated quota.

In the event that a larger number of importers have offered the same amount, the priority in allocation is given to the applicant that applied for the auction first.

Participants in the auction to whom part of the quota has been allocated are obliged, no later than 10 days following the auction, to submit to the Commission an evidence that the appropriate amount has been remitted to the budget.

If some of the participants have not remitted funds in this period, or if the number of bidders is below the minimum number indicated in the auction invitation, the auction procedure shall be repeated within 15 days. If part of the available quota is not allocated in the repeated procedure, it shall be allocated again at the public auction.

Certain quota or part of the quota shall not be allocated if nobody has filed for bidding.

(g) Other border measures

A special form of imports of goods is a temporary import in case of which goods may be imported on a temporary basis for the purpose of refining, finishing, processing, repairing; it can last from 6 to 12 months depending on the process of production.

Raw materials and semi-manufactures to be used for production of final products intended for exportation may be imported on a temporary basis.

A special place in the Law is given to long-term production co-operation. An enterprise that has concluded a long-term co-operation contract is not subject to goods import regime as long as the co-operation contract is in force.

(h) Customs valuation

Customs valuation of goods, that is to say the determination of the customs value is carried out in accordance with Articles 37 to 48 of the Customs Tariff Act (Official Gazette No. 20/93). The customs value is the contract price - transaction value. The contract price entails the price actually paid or to be paid for the goods purchased for importation in the Republic of Macedonia; it includes all actual expenses and other expenditures with regard to the sale and delivery of goods to the place of entry into the customs territory of the Republic of Macedonia.

Consequently, in addition to the contract price for goods, the customs value includes all actually paid expenses incurred abroad in connection with the delivery to the place of entry into the customs territory of the Republic of Macedonia.

Costs and other expenditures that are calculated into the customs value include:

- transportation costs to the place of entry into the customs territory of the Republic of Macedonia;
- goods insurance expenses;
- packing materials and packing expenses;
- loading and unloading costs;
- all brokerage commissions in connection with the sale of goods, as well as commissions for the insurance and forwarding of goods and similar services paid to the agents abroad;
- proportional part of other goods the buyer provided free of charge or at a reduced price, used for production of the imported goods;
- proportional part of the value of tools, moulds, matrixes and similar products the buyer provided free of charge or at a reduced price, used for the production of the imported goods;
- compensations and expenses incurred by the right to use patents, models, trade marks which the buyer pays directly or indirectly, if the sale is conditioned with such payment;
- part of the amount effectuated through the resale, cession or use of the imported goods paid directly or indirectly to the seller;
- proportional part of the value of services performed abroad the buyer pays separately, necessary for the production of the goods to be imported.

The following is not calculated into the customs base:

- discounts of all kinds;
- cash discount;
- costs of installation of machines, devices, equipment made in the Republic, provided that they are specified in the invoice;
- credit interest and other financing expenses;
- vehicle (wagon or truck) or ship demurrage.

All reductions of price of the goods are not calculated in the customs value if agreed and effectuated before the performed importation of goods.

The basic document serving as an evidence of the transaction value is the invoice of the foreign seller, and therefore this value is called invoice value.

The foreign exchange value is converted into the value in Denars at the exchange rate effective on the day of occurrence of the obligation to pay customs duty.

(i) *Elements of the customs value*

Basic elements comprising a customs base are the invoice value of goods transportation costs and costs linked with shipment of goods to the place of entry into the customs territory, as well as the goods insurance costs.

(ii) *Customs valuation methods*

The Republic of Macedonia has accepted in its entirety Article VII of the GATT and the order of methods for customs valuation, regulated by the Implementation Agreement and Article VII.

The order of methods for customs valuation is prescribed with the provisions of Articles 37 to 40 of the Customs Tariff Act.

The customs valuation of the imported goods may be done on the basis of six methods in the following order:

1. Customs valuation on the basis of the contract price, that is to say transaction value;
2. Customs valuation on the basis of the contract price for identical goods;
3. Customs valuation on the basis of the contract price for similar goods;
4. Customs valuation on the basis of the price for unit value;
5. Customs valuation on the basis of the calculated value;
6. Customs valuation on the basis of available data.

Customs valuation on the basis of the contract price, that is to say transaction value

The customs value is the contract price which entails actually paid price for the goods. The actually paid price for the goods being imported includes all payments the buyer made or is supposed to make to the seller directly or indirectly.

The contract price which makes up the customs value implies that:

- all costs and other expenditures with regard to the sale and delivery of goods to the place of entry into the customs territory of the Republic are included;
- all expenses, duties and charges paid in the customs territory of the Republic are excluded;
- there is no restriction on the buyer with respect to the disposal or use of goods, except for the restrictions set forth in special regulations, restriction related to the prohibition of the sale to third countries or restrictions that do not have essential bearing on the value of goods;
- sales contract does not contain conditions and obligations the value of which cannot be determined vis-à-vis the value of goods to be customs cleared;
- the seller will have no benefit directly or indirectly from resale or from another kind of disposal or use;
- buyer and seller are not mutually linked, or if they are, the contract price was not influenced by the commercial, financial or other relations between the buyer and the seller.

Customs valuation on the basis of the contract price for identical goods and customs valuation on the basis of the contract price for similar goods

If the customs valuation of the imported goods cannot be made on the basis of the contract price for the goods, or on the basis of the transaction value, customs valuation shall be made on the

basis of the contract price for identical goods bought for importation, provided that such goods were imported at the same time or close to the time of importation of the goods to be cleared.

If the customs valuation of the imported goods cannot be made on the basis of the contract price for identical goods, the contract price for similar goods bought for importation or imported at the same time or close to the time of importation of goods in question shall be used for customs valuation.

For customs valuation, the contract price for identical or similar goods sold in the same form (retail or wholesale) and in approximately the same quantities as the goods to be cleared is used. If there are no such sales, the contract price for identical or similar goods sold in different forms or in different quantities is applied.

If the application of these methods determines that there are several contract prices for identical or similar goods, the lowest contract price is used for customs valuation of the imported goods.

Customs valuation on the basis of unit price

If the customs valuation cannot be made on the basis of transaction value or on the basis of the contract price for identical or similar goods, it shall be made on the basis of unit price.

If the imported goods, or identical or similar goods are being sold in the Republic of Macedonia in the same condition, the customs valuation shall be made on the basis of the unit price at which such goods are being sold between persons that are not mutually linked, provided that such a price is decreased for the amount of:

- usual products, sales expenses or other gains linked with the sale of identical or similar goods imported in the Republic of Macedonia;
- usual transport, insurance and other costs incurred in the Republic of Macedonia;
- customs duty, import levies and other charges and taxes paid for the sale of goods in the Republic of Macedonia.

Customs valuation on the basis of the calculated value

If customs valuation cannot be made on the basis of the foregoing 4 methods, then it is to be made on the basis of the calculated value comprising the following:

- the value of materials and expenses for the production of imported goods;
- revenues and expenditures that producers of identical or similar goods from the exporting country usually have on their importation to the Republic of Macedonia; and
- expenses and other expenditures.

Customs valuation on the basis of available data

If customs valuation cannot be made by the application of the above mentioned methods, it shall be made on the basis of available data.

Customs valuation cannot be made on the basis of:

- market selling price for domestic goods in the country;
- selling price for goods on the domestic market of the exporting country;
- production costs, except for usual transportation, insurance and other costs incurred in the Republic of Macedonia;
- price of goods for exportation to third countries;

- arbitrary and fictional values.

It must be taken into account that the order of methods for customs valuation cannot be changed.

(i) Other customs formalities

Customs clearance of old motor vehicles can be carried out only in customs offices in Skopje, Bitola and Gevgelija.

The Republic of Macedonia has established border veterinary and phytosanitary control services on certain border-crossings with its neighbours.

The control is carried out by State inspectors for protection of plants (phytosanitary inspectors) or veterinary inspectors for controlling shipments of livestock, products, raw materials and wastes of animal origin, semen for artificial insemination and other things by which contagious diseases may be transmitted. Phytosanitary and veterinary control may be carried out at 10 border-crossings of which 9 have constant border inspection, whereas at one border-crossing (Blato-Debar), the control is carried out by inspectors from the Kafasan-Struga border-crossing.

Border-crossings are equipped for normal carrying out of the work by border inspectors.

Further equipping of border-crossings with storehouses, laboratories, areas for destruction of low-quality planting material and semen, computer connection with the Ministry of Agriculture, Forestry and Water Management is under way.

(j) Pre-shipment inspection

This area is regulated by the Standardisation Act and the following regulations: Macedonian Standards, Rules for quality of products and producers' specifications by the technological process in the case that there are no standards or rules.

Competent inspection organs monitor the application of this law and regulations made on the basis of the law.

This field is also regulated by the Law on Quality Control of Agricultural and Food Products in Foreign Trade. Under this law, certain agricultural and food products and goods produced from them intended for exportation or importation are subject to the control of quality, quantity, packing, marking, packing materials, transportation means and manner.

In addition to the market inspectorate, the control of goods for exportation is carried out by authorised enterprises, in conformity with the fixed quality norms, that is to say norms agreed upon in negotiations between buyers and sellers.

(k) Application of internal taxes on imports

For a certain product both domestic goods or imported, there is a sales tax or excise paid at the rate foreseen for that product by the Sales Tax Tariff for Goods, or the Excise Tariffs (see section II.2(iii)). This means that the sales tax and excise are paid at the same rate irrespective of the fact whether the product is domestic or imported.

The taxation treatment of a certain product both in case of import or sales of a domestic product depends on the intend use of that particular product. Whether the tax shall be paid or not and whether for a certain domestic or imported products a reduced tax rate of 5 per cent shall be paid

depend on the fact whether the product is intended for reproduction, final consumption or will be used as equipment.

In case of imports of product for reproduction, the sales tax on goods is not paid. The sales tax on goods is also not paid on products for reproduction of domestic origin.

When certain merchandise is intended to be used as equipment, 5 per cent sales tax rate is applied to imports and procurement from domestic producers. The Law regulates that only registered entities (legal entities and self-employed persons) may procure equipment by making the payment at the rate of 5 per cent. Also, there are prescribed conditions under which such kind of transaction be carried out. These are as follows: written declaration that products to be procured shall be used for performance of business, non-cash payment, obligatory issuance of an invoice, indication in the invoice that the declaration has been given, etc.

In case of imports of goods for final consumption by legal and natural persons, the sales tax on goods at the rate of 25 per cent is paid. The same rate is applied to procurements of goods for final consumption from domestic producers.

The Customs Office calculates the sales tax or excise for imports. The Customs Office is in charge of collection of sales tax on products for final consumption and on products imported as equipment. This tax is collected by the Customs Office together with the customs duty and other import charges. The Customs Office collects tax on imported merchandise for further sale if the taxpayer does not use a bank guarantee for tax payment. If the importer - taxpayer decides to use a bank guarantee, the tax must be paid within 45 days following the issuance of import customs declaration (date of customs clearance).

In internal trading, tax is paid as a rule twice a month on the 5th and 20th for the preceding 15 days in which sold products have been paid. The new amendments to the Law introduce in wholesale trade the restriction of the right of the taxpayer not to pay tax until he collects payment for the sold merchandise. The taxpayer is obliged to pay taxes for non-collected claims within 5 days upon expiration of 45 days as of the end of the month in which that transaction, invoicing or delivery have been made.

(l) Rules of origin

(i) The Decision on the Manner of Determining the Origin of Goods (Official Gazette No. 73/92) prescribes the manner in which the origin of imported goods is to be proved when collection of customs and other duties depend on the origin of goods. Pursuant to this resolution, the basic principle is that goods are considered to originate from a certain country if they have been manufactured in full in that country or if the value of imported and input components is at least 51 per cent.

Sorting, measurement, marking, packing, equalisation, assembling, unloading, making of samples and alike do not cause the value increase.

In case of imports of combined machines, apparatuses, devices, etc. mentioned in sections XVI, XVII and XVIII of the Customs Tariff, certain components of which have multiple origin, it shall be considered that the origin of a machine is a country in which a component determining the essential character of the imported machine has been produced, the value of which amounts to at least 51 per cent of the imported machine.

(ii) Pursuant to Article 45 of the Law on Foreign Trade Operations (Official Gazette No. 31/93) and the rules determining the competence with regard to keeping record of issuance of certificates and confirmation of facts for the needs of members of the Chamber of Commerce and other legal entities,

adopted in accordance with Article 6 of the Law on the Chamber of Commerce of Macedonia (Official Gazette No. 38/90) and Article 8 and 26 of the Statute of the Chamber of Commerce of Macedonia, the Chamber of Commerce is responsible for issuance of certificates of origin for Macedonian goods.

Criteria for issuance of certificates of origin are set forth in the Decree on Issuance of Certificates and Verification of Certificates Accompanying Imported or Exported Goods (Official Gazette of the SFRY No. 75/84) taken over by virtue of the Constitutional Act.

The Decree on issuance of certificates and verification of certificates accompanying imported or exported goods defines which goods are considered to be of Macedonian origin. These are goods completely produced in the Republic of Macedonia: minerals extracted from the soil, livestock brought forth and raised in the Republic, as well as products made of them; hunting and fishing products; goods used for regeneration of raw materials collected in the Republic of Macedonia; wastes of industrial production, as well as other goods produced in the Republic of Macedonia.

Commodities of Macedonian origin also include goods produced in the Republic of Macedonia, imported goods which have changed their original features in the production process. This means that imported goods fall under one tariff number, whereas newly-produced goods fall under another tariff number. Imported goods shall be considered of Macedonian origin if the additional value gained in the process of production accounts for at least 50 per cent, that is to say the percentage in the total value of newly produced goods to be determined by the importing country. When the additional value is being fixed, the price of imported goods vis-à-vis newly produced goods - ex factory is taken as a basis.

In exceptional cases, a certificate of Macedonian origin may be issued for goods, outside the mentioned characteristics, if a foreign partner requires that certain conditions be met.

Goods are not considered to have undergone substantial changes from the original state if the following has been done: packing and repackaging, sorting, classification, rinsing, distribution by cutting or bottling, labelling and signing, preservation for transport, storing, heaping up or grouping.

The EUR 1 certificate is issued by the Chamber of Commerce in accordance with the European Communities' Commission Regulations (EEC 343/92, Official Journal L38/1 of 14 February 1992).

(iii) Goods produced in the Republic specifically intended for imports are marked by the international EAN code; for Macedonia this code is 531. The code indicates the origin of goods; at the State level, the code indicates a producer.

Under the Standardisation Act, besides the code, products of Macedonia must have a declaration in the English language and an obligatory indication "Made in Macedonia".

(m) Anti-dumping regime

The provisions of the Law on Foreign Trade Operations (Article 54) provide for the possibility of introducing anti-dumping charges. It is considered that dumping exists when certain goods are imported at the price lower than their real value, what causes or threatens to cause serious damage to the existing production or if such an import slows the development of a certain domestic production.

The anti-dumping charge cannot exceed the dumping margin and is effective for the period and in the amount necessary for neutralising the dumping.

A proposal for introduction of anti-dumping tax may be put forward by the enterprises concerned, through the Chamber of Commerce of Macedonia; the said proposal must contain proofs that the dumping exists, its harmful consequences and grounded links between the import causing dumping and the occurred and likely damage.

The Anti-Dumping procedure is in accordance with the Law by which the GATT Anti-Dumping Code has been accepted.

Thus far no such procedure has been initiated.

(n) Countervailing duty regime

On the basis of the Law on Foreign Trade Operations (Article 52 and 53), the Government may temporarily undertake the measure of countervailing duty for certain goods in order to neutralise the impact of subsidies or premiums directly or indirectly approved in the country of origin or the country of export. This measure is applied as long as there exists such disturbance, that is to say until the damage is neutralised.

Thus far the Republic of Macedonia has not introduced countervailing duties as to protect the imports from subsidised goods. Furthermore there is no regulation that would prescribe the procedure and conditions for introduction and application of countervailing duty.

(o) Safeguard regime

In case of disturbances of foreign trade and balance of payments, the government may introduce temporary safeguard measures, pursuant to the Law on Foreign Trade Operations, for the purpose of eliminating such disturbances.

Measures are undertaken if owing to unforeseeable circumstances, the imports or exports of certain goods that may disturb the domestic market, seriously damage domestic production or trade in these goods, have been increased significantly in a short lapse of time.

These measures shall be applied as long as there exist such disturbances that is to say until the damage is neutralised.

Prior to the introduction of these measures, GATT Contracting Parties are to be informed of them, what would facilitate the parties interested in goods the imports or exports of which causes the application of these measures to hold consultations.

Thus far the Republic of Macedonia has not introduced safeguard measures.

Furthermore there is no regulation that would prescribe the procedure and conditions for introduction and application of these measures.

2. Export Regulation

(a) Registration requirements for engaging in exporting

According to the existing legislation, economic operators wishing to engage in foreign trade have to register for exportation and importation simultaneously. Whether they shall engage in one or another activity depends on the business policy of the economic operator concerned. Requirements and legal regulations for engagement in foreign trade operations are set forth in section IV.1(a).

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

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. In this light, the procedure for the adoption of the new Customs Tariffs Act is under way; it is supposed to be completed in the near future. The Act having been passed, WTO Members shall be immediately notified of its provisions through the WTO Secretariat.

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

Pursuant to the Law on Foreign Trade Operations and other regulations adopted by the Government in 1993 (Resolution on the distribution of goods to regimes of exportation and importation, Official Gazette No. 81/93), export is regulated through the following: free exports "LB", exports by determining quotas "Q" and exports on the basis of "L" licence (in case of narcotic drugs, weapons, military equipment and alike).

Exports of goods from the Republic of Macedonia is, in principle, free. According to the existing legislation, about 98 per cent of the customs tariff items are on "LB" export regime. Pursuant to Article 12 of the Law on Foreign Trade Operations, the Government adopted Resolution on the distribution of goods to forms of exportation and importation (Official Gazette No. 81/93) that was amended and altered in 1994 and 1995. Under this resolution, only 2.0 per cent of goods are subject to "Q" and "L" export regime. The following goods are subject to special licensing: "Q" regime: livestock and breeding stock, food products of vital significance to the nutrition of the population and livestock (corn, wheat, cattlefeed); "L" regime: commercial explosives, ammunition, weapons and other products in conformity with international conventions. The list of products subject to "Q" and "L" export regimes is given in Annex II.

Basically, the "L" regime does not apply to exports. In the Republic of Macedonia, "L" regime is applicable to goods which, under international conventions are subject to such regime in other countries as well, such as for instance "narcotic drugs". This means that "L" regime in the Republic of Macedonia is identical with all other countries.

In order to prevent disturbances in supplying food products and other strategic products, as well as to protect natural resources, the Government may undertake measures with the aim to restrict or prohibit exportation of these products, on a temporary basis.

- (d) Export licensing procedures

At the proposal of the competent State organ (Ministry of Foreign Affairs) and having obtained the opinion of other State organs, the Government determines by 31 October of the current year, the size of goods export quotas by quantities and dynamics for the next year. Determination of quotas is carried out on a quarterly basis, whereas the decision on distribution of goods subject to a regime is published in the Official Gazette.

Products subject to "Q" and "L" regimes can be exported after the necessary licences have been obtained. Decisions on export of goods subject to quotas or licences are issued by the appropriate competent State organ (Ministry of Foreign Affairs); they are issued after the respective opinions of appropriate ministries (Ministry of Economy, Ministry of Agriculture, Ministry of Health, Ministry of Culture, Ministry of Interior and alike) have been obtained.

Allocation of the fixed quotas is carried out by the end of the first month of the relevant quarter; basic criteria for issuance of export licences are the principle of a traditional exporter and the principle of order in filing applications.

The export licence having been given, goods are exported freely, without burdens of customs export duties or levies.

(e) Other measures

(i) There are no legal or other regulations in the Republic of Macedonia that would regulate export in the sense of determining minimum export prices. Accordingly, there are no export restrictions by determining minimum export prices, that is to say trading entities establish freely goods export prices.

(ii) The Republic of Macedonia has introduced voluntary restrictions with respect to exports of certain products. They mainly relate to the export of lamb and baby-beef, wine, tobacco and textile products. Export quotas are inherited from the former SFRY and are applied as to provide access of these products to markets of developed industrial countries.

There are quotas on export of certain agricultural products from the Republic of Macedonia to the European Communities; these are as follows:

- for baby-beef, the quota is fixed on 3,500 tons, 290 tons monthly. A part of quota not used in the current month may be transferred to the next month only.
- for lamb, the quota is set on 1,750. Unlike in earlier years when the quota was divided as to be used on a quarterly basis, that is to say into 435 tons per quarter, last year it was allowed 70 per cent of the quota to be exported in the first half of the year, whereas the remaining 30 per cent were exported in the second half of the year.
- in the past period, the export of wine to the European Communities was over 260,000 hectolitres annually. The cumulative quota of 545,000 hectolitres was used. The list of represented sorts having been agreed upon, the exports of wine to the European Communities was carried out at the foreseen schedule;
- exports of tobacco averages 2,100 tons of oriental kinds of tobacco. The Republic of Macedonia was the only producer among the State successors to the former Yugoslavia that produced the tobacco of "Prilep" type, for which the cumulative quota of 1,500 tons was used for exports to the European Communities.

There are also VERs for textile export and information is given in section IV.5.

(f) Export financing, subsidy and promotion policies

With the establishment and implementation of the economic system immanent to market economy and due to the limited budget, subsidies in the economy are reduced to support of agricultural production and exports incentives through duty drawback. Information on the support to the agricultural production is given in section IV.4(c). and on the import duty drawback schemes in section IV.2(i).

(g) Export performance requirements

The Law on Foreign Trade Operations and other legal regulations do not foresee such requirements.

(i) Import duty drawback schemes

Enterprises and other legal entities engaged in economic activities, having collected foreign currency on the basis of exports of domestic goods, services provided for foreign entities and services provided for domestic and foreign entities in international transport, are entitled to drawback of

import duty on foreign components of these goods and services for which the import duty has been previously paid.

3. Internal Policies Affecting Foreign Trade in Goods

(a) Industrial policy, including subsidy policies

Domestic industrial production is carried out on the basis principles of market economy. To that effect, measures aimed at creating the ambience of economic policy and development plans fully compatible with market principles are being undertaken.

Foreign economic relations are regulated by agreements on protection of investments and on avoidance of double taxation, on regulation of relations in transport and flow of goods and capital. Activities aimed at defining the status and position of our economy as beneficiary of European Communities' and the United States' preferences are being undertaken.

For the purpose of increasing production and of finding appropriate solutions to overcoming unfavourable inherited structure and at the same time using comparative advantages of the Macedonian economy and directing these changes at the future greater integration into the world economy, efforts are being made to secure favourable financial arrangements from international financial institutions.

The Law protects intellectual property by providing all appropriate and effective measures for protection and use of patents, seals for services and models, copyright and computer programs guaranteed by the existing international conventions.

The following premises are starting points of the general strategy of the entire economic and social development of the Republic of Macedonia in the short, medium and long term:

- application of international experience in creating industrial policies to the level acceptable to our country, in conformity with specificity of the economic development we have had thus far, its level and the existing economic structure;
- quality and quantity of available production factors and in that light the definition of development priorities through optimum combination of these factors as to provide efficient production;
- the environment, that is to say conditions (external and internal) of economic development;
- creation of conditions for efficient export oriented production by application of economic policy measures;
- development of agriculture and livestock breeding and development of industrial sectors based on raw materials;
- production of goods in the finishing phase - finished products instead of raw materials and semi-manufactures;
- effective and efficient production in the already existing available facilities in certain industrial sectors, such as textile, metal-working and non-ferrous metallurgy and so on, by their maximum utilisation, in order to provide return of investments in as short period as possible and profit making, through restructuring and privatisation; and
- development of small business, that is to say of small and medium size enterprises in all economic sectors and activities, in services, handicraft, tourism and trade.

(b) Technical regulations and standards

The products, goods and services standardisation system, which includes adoption and implementation of standards, regulations, measures aimed at providing technical and construction

safety and quality of products, goods and services and monitoring of their application are regulated by the Standardisation Act (Official Gazette No. 23/95).

Pursuant to Article 93 of the said Act, legal regulations and standards adopted in accordance with the former Standardisation Act (Official Gazette of the SFRY Nos. 37/88, 23/91 and 55/91) shall be effective pending the adoption of new legal acts, regulations and standards.

The following legal acts and regulations have been inherited from the former SFRY:

- technical normative regulations (94 in total);
- quality regulations (46 in total);
- production specification regulations (4 in total);
- products declaration, labelling, marking and packing regulations (6 in total)
- regulations pertaining to the documents accompanying marketed goods (14 in total);
- regulations pertaining to more specific contents of technical instructions (2 in total);
- regulations pertaining to compulsory attestation (52 in total);
- uniform regulations representing an integral part of the Agreement on acceptance of identical homologization conditions and mutual recognition of equipment and motor vehicles parts homologization (49 in total);
- other regulations (1 in total).

About 12,000 standards have been inherited, of which about 9,000 are in obligatory use and 3,000 are voluntary. The largest number of them is identical and equivalent to international ISO and IEC standards.

Pursuant to Article 18 of the Standardisation Act, an enterprise or another legal entity is obliged, in doing its business, to check during production whether a product complies with conditions and requirements contained in the obligatory standards prescribed by the regulations adopted in pursuance of this law; such examination must be carried out under conditions and in a manner prescribed by these standards, that is to say regulations.

Examination of compatibility of imported products with conditions and requirements prescribed by the obligatory standards and regulations adopted in accordance with this law is the duty of the importer or the representative of the foreign firm in case of sales from a consignment warehouse.

Competent inspection organs carry out the supervision of applications of the provisions of this law, of standards and regulations adopted in accordance with the law. Inspection supervision is carried out by market, technical, construction, labour and agricultural inspection, respectively.

Pursuant to the Law on Measurement Units and Instruments (Official Gazette No. 23/95), on the import of such devices, it is obligatory to examine the type of devices used in the country and the imported devices must comply with metrological and other requirements prescribed by the law and legal regulations.

The only competent institution for issuance of wine quality export certificates is the Institute for Grape Growing and Wine Production at the Faculty of Agriculture in Skopje.

(c) Sanitary and Phytosanitary measures

(i) Agricultural and forest plants and products made of them, as well as other products and things with which diseases and other pests may be transmitted are subject to compulsory sanitary examination. For imports and transit, this examination is conducted at the border-crossings determined by a resolution of the Government.

Shipments of the above mentioned plants and products, exported, imported or in transit, must have a certificate of sanitary quality of the shipment (phytocertificate) printed in the form prescribed by the International Convention on Plant Protection. A phytocertificate issued in the exporting country that has not ratified the International Convention on Plant Protection shall be considered valid only if its basic content corresponds to requirements foreseen by the regulations of the Republic of Macedonia (the Law on the Protection of Plants from Diseases and Pests Affecting the Entire Country and the Rules for Sanitary Control of Plants Marketed Abroad).

The Ministry of Agriculture, Forestry and Water Resources must issue a decision (agreement) on imports of seeds and seedlings and materials for plants protection.

(ii) Shipments of animals, products, raw materials and wastes of animal origin, semen for artificial insemination, inseminated ova for animal insemination and other things with which contagious diseases may be transmitted are subject to obligatory veterinary and sanitary examination in case of imports, exports and transit.

If shipments of animals, products, raw materials and wastes of animal origin are transported by rail or road, examinations are performed at the designated border-crossings; if the shipments to be imported are transported by mail and air, the border veterinary inspection carries out the examination at the airport or at the civil post-office.

The above-mentioned shipments, when imported, in transit or exported, must be accompanied with the certificate for sanitary condition of the shipment printed in the form prescribed by the International Convention on Sanitary Protection of Animals. If a certificate is issued in the exporting country that has not ratified the International Convention on Sanitary Protection of Animals, such a certificate, issued in accordance with the regulation of the particular country, shall be considered valid only if it corresponds to requirements foreseen by the regulations of the Republic of Macedonia (the Law on the Sanitary Protection of Animals Affecting the Entire Country and the Rules For the Way of Loading, Re-loading and Unloading of Shipments of Animals, Products, Raw Materials and Wastes of Animal Origin).

In case of imports and transits of livestock and some products of animal origin, there must exist a certificate of veterinary-sanitary conditions fulfilled by these shipments. A certificate is issued by a responsible person at the Ministry of Agriculture, Forestry and Water Resources - Republic Veterinary Office.

Import, transit and export veterinary and sanitary examination is carried out by a border veterinary inspection in accordance with the law and the rules; it is also obliged to observe preliminary agreements with neighbouring countries, because international conventions on sanitary protection of animals have not been signed yet.

(iii) The Ministry of Health carries out import and export measures which depend on a kind of goods:

1. For importation of food products and general consumer goods, measures set forth in Article 26 of the Law on Sanitary Quality of Foodstuffs and Consumer Goods (Official Gazette No. 31/91) are being implemented:

(a) reported shipments of this kind of goods, for which the border inspector has doubts about sanitary quality, shall be placed under sanitary supervision on a temporary basis, when a sample of them shall be taken in a prescribed manner and examined by authorised expert organisations;

- (b) if laboratory analyses, including microbiological, chemical and radiological examinations, prove that goods are of good sanitary, quality that is to say correspond to special sanitary regulations in the Republic, the import approval is issued;
- (c) if the examinations prove that the goods are not of appropriate sanitary quality, then the decision on the import prohibition and on return of goods to the dispatches is issued;
- (d) if such goods cannot be returned to the dispatcher for any reason, they shall be destroyed on the basis of a decision made by a border inspector.

2. For imports of poisons, measures prescribed in Articles 39 and 40 of the Law on Sale of Poisons (Official Gazette No. 13/91) are implemented:

- (a) importation of poison the sale of which is not allowed in the territory of the Republic is prohibited and it is order that the poison be returned to the dispatcher;
- (b) importation of poison, the packing material, way of packing and labelling of which are not in conformity with prescribed requirements, is prohibited and it is returned to the dispatcher due to his failure to fulfil the requirements.

3. For importation of medicaments and auxiliary medical materials, measures prescribed by Article 51 of the Law on Sale of Medicaments (Official Gazette No.43/86) are applied:

- (a) organisation that imports drugs or auxiliary medical materials must obtain the approval of the Ministry of Health for wholesale of drugs and auxiliary medical materials;
- (b) drugs or auxiliary medical materials may be imported if the organisations which perform such imports have obtained approval by the Ministry of Health; before that examination of the ingredients, unharfulness and effect of the drug must be conducted, and the approval for sale of the drug in the procedure prescribed by the mentioned law must be issued.

4. For importation of narcotic drugs and medicaments that contain them, measures prescribed by Articles 15, 17 and 19 of the Law on Production and Sale of Narcotic Drugs (Official Gazette No. 13/91) and the Rules pertaining to conditions and procedure for issuance of licence for narcotic drugs importation (Official Gazette No. 50/79) are to be applied:

- (a) narcotic drugs and products that contain them are to be imported or exported by enterprises registered exclusively for wholesale of medicines, that is to say that have obtained an approval for performance of this business by the Ministry of Health.
- (b) narcotic drugs and products that contain them are imported and exported on the basis of a licence issued by the Ministry of Health.

(d) Trade-related investment measures

Issues related to foreign investments are regulated by the Foreign Investment Act (Official Gazette No. 3/93). This law is liberal and facilitates investment for the purpose of performing economic and non-economic businesses.

The fundamental principles this law is based on, which are also regulated by Article 59 of the Constitution are rights to:

- free transfer of profits;
- guaranteed (inviolable) character of the investment made by the foreign investor.

Rights of foreign investors set forth and protected by this law cannot be reduced by any other law or regulation.

By the mentioned law, the Republic of Macedonia has established good grounds for foreign investment, what, along with other laws, creates legal basis for attracting foreign investors.

The Foreign Investment Act is based on the following principles:

- investment in all areas of economic and social life is allowed, unless otherwise prescribed by the law;
- in case of joint investment, parties to the agreement are secured autonomy;
- enterprises with foreign capital have the same status, rights and obligations as domestic firms;
- there are special facilities for foreign capital invested in production sectors;
- foreign entities may establish their own enterprises or invest together with domestic legal and natural persons;
- definition of foreign investor has been widened;
- conversions of foreign debts are allowed;
- under the Law on Concessions, foreign investors may be granted concession rights for certain activities of social and public interest.

(i) *Definition of foreign investors and foreign investment*

Under the Foreign Investment Act, foreign investors are considered:

- foreign legal entities;
- foreign nationals;
- national of the Republic of Macedonia that has acquired the right of permanent residence abroad;
- foreign nationals that have their own enterprises in the Republic of Macedonia.

The definition of foreign investments is rather large and it includes any kind of property: money, things and rights. It includes capital, equipment, spare parts, raw materials semi-manufactures and intellectual rights.

Foreign investor may engage in all spheres of activities, with the exception of those specified by the law (for instance: weapons and military activities) or restricted by the agreement on concessions.

(ii) *Rights of foreign investors*

Enterprises with foreign investment are entitled to equal rights awarded to any other domestic company. The Foreign Investment Act lists the rights of foreign investor that may be additionally and more precisely laid down in every specific investment agreement between the parties.

- right to share in the profits in proportion to the investment and right to free transfer and reinvestment of profits;
- rights to restitution of certain invested things;
- right to restitution of the investment into domestic enterprise;

- right to a share in a net property and to repatriation of that share if his investment have been made into a mixed-owned enterprise, after the dissolution of that enterprise;
- right to transfer of contractual rights and duties to other domestic and foreign investors;
- right to management of the company, in proportion to his share.

(iii) *Investment contract*

The agreement on investment by a foreign investor must be made in writing. Such an agreement may regulate investment into the existing enterprise, or establish a new one. As regard the origin of the invested capital, it can be completely foreign or mixed (domestic and foreign). Parties enjoy full freedom of negotiation of all terms and conditions they regard necessary, not breaching the law. The agreement should contain minimum elements depending on the kind of enterprise being established:

- identification of the parties;
- line of business of the enterprise and its name;
- value and form of individual investment;
- the manner of profits distribution and covering of losses;
- manner of decision-making by investors;
- duration of the agreement;
- settlement of eventual disputes.

The agreement on foreign investment as well as the statute of the enterprise must be reported to the competent State organ (Ministry of Foreign Affairs) within 30 days including the day of its signing. Registration is done automatically because it must be only assessed whether the submitted documentation is in conformity with the Constitution and the laws. If the Ministry does not decline the application within 30 days upon its receipt, it means that it has been approved. Complaints against negative decisions may be filed within 15 days.

New enterprises must register their documentation in the competent court as to become legal entities. The documentation must be written in the Macedonian language and in the language of the foreign partner. The enterprise must possess the identification number of the opened account at the Payment Bureau. Finally, the enterprise must be reported to the Statistical Office and the Customs Office.

Except for the above-mentioned, all reinvestments, additional investments, transfer and repatriation of capital, alterations and terms must be reported to the Ministry of Foreign Affairs for statistical and other purposes.

When can the transfer of funds be performed?

Transfer of profits may be effected upon presentation of appropriate evidence to the inland revenue authority that the obligation resulting from the realised profits in the Republic of Macedonia has been settled.

The evidence (certificate) of paid profit tax obligations is issued by the body responsible for payment operations. Pursuant to the Law on Taxation of Foreign Legal and Natural Persons (Official Gazette No. 47/87), a foreign legal entity which, on the basis of the investment made in a domestic enterprise, makes profits from the joint business, and which transfers such profits abroad as profits of the legal entity, pays profit tax on the realised profits at the 10 per cent rate. This tax is calculated and paid by the domestic legal entity in which the investment of the foreign legal entity have been made.

This obligations applies to foreign legal entities that incorporated its enterprise in the territory of the Republic of Macedonia and that transfers profits abroad.

Having the provision of the Law on Waters in view, exemptions prescribed by the Law on Profit Tax do not apply to contribution (charge) for water resources management, that means that foreign legal entity, on transferring the profits, must submit evidence that it paid such kind of contribution with respect to the profits it made in the Republic of Macedonia.

(iv) *Foreign investment incentives*

For the purpose of stimulating foreign investment, the Government undertakes various forms of initiatives in the spheres of taxes, charges and customs levies, as well as in the foreign exchange system and alike.

If the foreign investment has the form of equipment and technology intended for production, importation of such equipment and technology is exempt from customs tax and duties. Over the first three years of the investment, the foreign partner is exempt from profit tax on its transfer.

There are certain facilities in profit tax payment if the foreign partner reinvests the profit.

(e) *State-trading practices*

There are no State-owned enterprises in the Republic of Macedonia that trade in goods. However, with the aim to provide market stabilisation, there exists the Directorate for Stocks and Reserves, as an organ of the Government of the Republic of Macedonia. It constitutes an integral part of the Ministry of Economy.

The Directorate for Stocks and Reserves has been established with the view to securing stability in supplying the population with certain food and industrial products to be as follows:

- wheat, sugar, cooking oil, salt, medicines and petroleum derivatives.

The work of the Directorate for Stocks and Reserves is regulated by the Law on Safety Stocks.

Pursuant to Article 20 of the Law on Safety Stocks (Official Gazette Nos. 41/87, 19/93), the Directorate acts as an agent for:

- purchase of surplus products subject to protective prices, for which there is no interest on the part of enterprises engaged in processing and sale of such products;
- the State makes interventions on the market by buying or selling goods from the safety stock in order to prevent or eliminate larger market disorders that may challenge the market stability or cause significant rise in prices in comparison to the prices fixed by the price policy for the current year.

In certain cases, when there is a shortage of certain goods of vital importance to the life and health of the population, such as foodstuffs, the Government makes a decision on imports of missing lacking goods.

The Directorate for Stocks and Reserves is not engaged in importation or exportation of products. Importation or exportation of goods for the needs of the Directorate is carried out by the enterprise registered for foreign trade. The selection of the enterprise for importation is conducted on a public competition or announcement by collection of offers. This enables all enterprises to apply for the competition. Naturally, the enterprise that has offered most favourable conditions is selected. This procedure is regulated by the Law on Safety Stocks.

(f) Free zones

There are no such zones in the Republic of Macedonia and their establishment is not foreseen by the legislation.

(g) Free economic zones

At present there are no free economic zones in the Republic of Macedonia although there have appeared certain initiatives for their establishment.

A decision on the establishment of free economic zones depends on the Government directly.

(h) Trade-related environmental policies

For the time being, there are no regulations and measures in the Republic of Macedonia dealing with these issues.

(i) Mixing regulations

There are no such requests under the existing legislation.

(j) Government-mandated counter trade and barter

There are special forms of imports, barter (exports of goods and services to be paid in imports of goods and services) - what is allowed by a special decision issued by the competent State organ (Ministry of Foreign Affairs). A decision approving barter is issued if the import is intended for the countries which have balance of payments difficulties, if power and other raw materials and semi-manufactures are imported or if equipment in the function of exports is imported or if exports cannot be carried out in another manner.

External barter deals may be carried out by enterprises and other legal entities registered for foreign trade (hereinafter referred to as enterprises) and entrepreneurs on the basis of the approval given by the Ministry of Foreign Affairs.

The Ministry of Foreign Affairs may approve a barter if the value of export of goods and services is higher than the import value in that deal, the ratio being 1.3:1 at least.

The Ministry of Foreign Affairs may also approve the barter in which the value of exports equals to the value of imports, provided that one of the following requirements is met:

- the exports of goods and services is directed at countries in which payments for the export cannot be collected due to balance of payments difficulties;
- the barter pays for the import of power and other raw materials and semi-manufactures;
- the barter provides exportation of products the sale of which is difficult;
- the barter provides for the exportation that would facilitate import of commodities of vital importance to the supply of the domestic market;
- the barter pays for the import of equipment or leased equipment, and that particular export serves that aim.

The Ministry of Foreign Affairs is obliged to make a decision on the application for approval within 15 days as of the day of its receipt.

Several enterprises that have wider lists of goods and services for importation and exportation may be included into barter (barter arrangements). Parties to the barter designate by agreement the

enterprise which will file an application for approval, submit the list of goods and services along with the values and quantities to be exported and imported, export and import deadlines and dynamics and other elements of significance to the barter.

For commodities exported or imported on the basis of quotas, licences or agreement, the decision on the approval of the barter provides at the same time the right to export or import of such goods.

Approvals of barter are issued by the Ministry of Foreign Affairs in accordance with the Resolution on more detailed conditions, manner and deadlines for concluding barter agreements (Official Gazette No. 70/94).

(k) Trade agreements leading to country-specific quotas allocation

The Republic of Macedonia has not concluded such agreements, except for the agreements on agricultural products and textile as explained in sections IV.2(c) and IV.5.

(l) Government procurement practices

The procedure for procurement of goods and services for the needs of State authorities by the Law on Rights, Duties and Obligations of the State Organs with Respect to Socially-owned Equipment They Use (Official Gazette Nos. 41/81 and 55/88) does not confirm to present circumstances for a certain period. Therefore, pending the adoption of a new law that would regulate this area, a Decree on Public (Government) Procurement (Official Gazette No. 18/96) which regulates these issues, that is to say the issues of government procurement, tendering procedures, dealing with tenders and award of contracts has been adopted by the Government.

State administration organs, administrative organisations and other beneficiaries of the budget, public enterprises established by the Assembly or by the Government may appear as ordering party of public procurements.

The procedure and manner of concluding contracts between and legal and natural persons relate to the procurements of goods, performance of services, material rights and execution of construction works in the framework of the funds foreseen by the budget for the current year.

In order to provide for transparency of procurements, every procurement of the Government is made by a public auction published in the Official Gazette or in any other public media in the country or abroad, in order that any natural or legal person may file its bid.

A public auction contains, *inter alia*, the data about the firm and address of ordering party, object of the procurement, quantity, the deadline for delivery or execution, validity period of the offer, final date for filings bids, if the procedure of public opening of bids is foreseen, than the venue, date and time of such public opening, and other data about the participation in public procurement.

The collection of bids may be conducted by open or limited invitation.

The procedure for opening bids may be public or not.

The procedure for public opening of bids is carried out for public procurement the value of which exceeds the Denar countervalue of 100,000 DEM.

The collection of bids without public opening is carried out in case of procurement the value of which ranges from 30,000 to 100,000 DEM in Denar countervalue.

In certain cases, a procurement may be carried out by a direct contract with a certain procurer.

For every public procurement, there must be signed a contract between the ordering party and procurer, the substantial elements of which are set out by the Government Commission for Public Procurements.

(m) Regulation of trade in transit

Transit of goods through the territory of the Republic of Macedonia is regulated by the Customs Act and is practically free. Transit is carried out as a transit “under customs control” what means that the goods in transit are affixed customs lead. Only the transit of goods harmful for the environment, health of people and animals is forbidden.

Transit is conducted on the basis of transit licences issued by customs authorities at the border crossing of entry of the goods in question.

The entity that organises transit of goods is responsible for its transport to the customs border-crossing of exit; the customs authorities at the border-crossing of exit, having compared and matched the documentation issued on the entry of goods, as well as other accompanying documents, allow the goods to leave the territory of the Republic of Macedonia.

4. Policies Affecting Foreign Trade in Agricultural Products

- Agricultural production

The total area of arable land covers 655,891 hectares; 458,338 hectares (69.9 per cent) of which belong to the private sector; 146,051 hectares (22.2 per cent) are State owned while 51,502 hectares (7.9 per cent) are not organised.

(i) Farming

Areas planted in the period from 1990 to 1995, are between 400,130 hectares in 1990 to 391,423 hectares in 1995.

The structure of the planted areas according to the types of crops in 1995, as compared to the five year period average (1990-1994) was decreased by 37 per cent, only with regard to the industrial crops, while with regard to areas planted with grain crops, a certain increase can be noticed (wheat by 13 per cent and barley by 21 per cent).

TABLE 9

Planted Areas According to the Types of Crops For the Period From 1990 to 1995

(in ha.)

CROPS	1990	1991	1992	1993	1994	1990/ 1994	1995	% as compared to 1995
Wheat	112,750	112,783	111,995	117,807	122,031	115,473	130,092	113
Barley	50,687	54,429	55,421	56,424	10,586	45,509	54,874	121
Corn	41,181	42,169	43,772	44,693	42,719	42,906	42,489	99
Rice	8,880	8,692	8,465	5,143	1,731	6,582	1,316	20
Sugar beet	4,002	2,211	2,381	2,259	1,616	2,493	1,901	76

CROPS	1990	1991	1992	1993	1994	1990/ 1994	1995	% as compared to 1995
Tobacco	20,818	18,321	22,496	21,609	19,977	20,644	15,940	77
Sunflower	27,734	28,571	30,417	27,775	20,833	27,066	14,480	53
Tomatoes	7,607	7,993	7,456	7,207	6,971	7,446	7,315	98
Peppers	8,890	9,069	8,633	7,944	7,930	8,493	8,028	95
Melons	11,524	11,476	9,809	9,127	8,785	10,144	8,856	87
Alfalfa	19,706	18,901	19,375	19,740	19,738	19,488	19,608	101

In the course of the five year period that was put under analysis, there were certain oscillations with regard to the production of certain types of crops which is due, first and foremost, to the impact of the agro-meteorological conditions, then to the restrictive credit and monetary policy in the agribusiness, as well as to the abolishment of the parity of safeguard prices in relation with wheat price.

The production of certain grain crops in 1995, as compared to the average production in the previous five year period, was increased as follows: wheat by 31 per cent, barley by 23 per cent, corn by 43 per cent, while there was a decrease by 74 per cent in the rice production. The rice production decrease is due, first and foremost, to the fact that markets were lost after the sanctions against the Federal Republic of Yugoslavia had been introduced, as well as due to the fact the rice was exempt from the group of crops allotted safeguard prices, then to the long years of droughts and the shortage of irrigation water.

The production of industrial crops in 1995, as compared to the production in period analysed, is significantly lower: 24 per cent decrease in sugar beet production, 34 per cent decrease in tobacco production and 47 per cent decrease in sunflower production. The decrease in the tobacco production is owed, first and foremost, to the disturbances on traditional markets, the changed conditions at the world tobacco and cigarette market, the deteriorated economic conditions in the Republic of Macedonia, as expressed in the measures of the economic policy, low buy-out prices, delayed buy-out and untimely payment of the bought-out tobacco.

Owing to the financial exhaustion of the processing facilities and the disturbed conditions at the market, the interest for sunflower and sugar beet raising dropped.

Gardening production, for which there are especially favourable conditions, is very important for the Republic of Macedonia. Gardening production is of non-seasonal type, mainly in green houses and on plastic covered garden beds.

The crops that are most often grown in green houses are tomatoes with 7,000 tons output, cucumbers with 5,000 tons output and hot peppers with 6 million items output.

Gardening production on plastic covered garden beds is most often present on private farmers' land. The average output of this production is the following: 37,000 tons of tomatoes, 12,500 tons of cucumbers, 20,000 tons of peppers and 12,000 tons of cabbage.

Gardening production, as one of the agribusiness branches, is an important segment of the overall economy, since it provides the domestic market and the canning industry with the necessary raw materials; furthermore large quantities of these products are exported.

(ii) Viticulture and wine production

Viticulture is a branch for which there are favourable climate and soil conditions and covers an area of 35,000 hectares. It represents one of the leading branches in the agribusiness. In a usually good crop year the expected output cropped on the above stated area is 260,000 tons of grapes, 200,000 tons of which is wine production grapes, while the rest is table grapes. Owing to its high production, as well as to its quality, table grapes are mainly exported to foreign markets in the amount of 50,000 tons. The average wine production output is 13 to 15,000 wine tank wagon, produced in 14 wine cellars.

Grape production had the following dynamics in the last few years: 127,992 tons in 1993, 205,486 tons in 1994 and 190,677 tons in 1995, what on its part illustrates a decrease in production, as compared to the production in a usually good crop year, which is first and foremost, due to unfavourable weather conditions (floods, hail, droughts) which were prevailing in the Republic of Macedonia in the last few years. As far as wine production is concerned, all quantities are of the protected generic type of wine, while 80 per cent of the wine surplus output is marketed to foreign markets, mainly in Germany, Great Britain, the United States, Canada and to other markets.

(iii) Fruit growing

The fruit-growing area covers 23,700 hectares. The fruit-growing output obtained on this area in an usually good crop year is 160,000 tons of fruit. Apples are most often grown: about 30 per cent, plums about 18 per cent, cherries 15 per cent, pears 13 per cent, apricots 13 per cent and peaches 7 per cent.

TABLE 10

Production According to the Types of Fruit

Type of Fruit	1993	1994	1995
Strawberries	2,933	2,249	3,332
Sweet cherries	3,240	3,499	3,343
Sour cherries	6,840	6,057	5,300
Apricots	5,715	5,066	6,061
Apples	71,676	70,060	69,950
Pears	14,116	11,632	9,118
Quince	1,091	780	672
Plums	21,200	25,230	17,221
Peaches	5,293	5,405	4,333
Walnuts	2,969	3,008	2,838
Other fruits	4,790	5,003	4,200
TOTAL:	140,003	137,989	126,268

(iv) Livestock breeding

No significant changes can be noticed in the numbers of the livestock, according to the statistical data for 1992, 1993 and for 1994 (Table 10).

TABLE 11

Livestock Numbers

	Cattle	Sheep	Pigs	Horses	Poultry	Bee colonies
1992	284,919	2,351,408	173,006	64,576	4,297,350	71,600
1993	280,324	2,458,648	184,920	61,748	4,392,721	77,951
1994	281,336	2,466,099	171,571	61,797	4,685,021	73,980

On the average, about 90 per cent of the livestock numbers is owned by the private sector and 10 per cent of it are State owned. The cattlefeed that needs to be provided for each year is the following: 600,000 tons concentrated cattlefeed and 1,900,000 tons of roughage.

Out of the overall agricultural production the following agricultural surplus products are exported: white rice, barley, tobacco, tomatoes, peppers, cucumbers, apples, sweet cherries, sour cherries, grapes, wine, mutton and lamb, eggs, etc. Chief imported agricultural products are: wheat, corn, milk, meat (except mutton and lamb), concentrated cattlefeed, seeds, etc.

(a) Imports

With the purpose of securing stability in the agricultural production and appropriate market supply of agricultural products, safeguard measures are undertaken with regard to the import. Namely, out of the total 980 tariff items for agricultural and food products, 101 items are under quantitative quota, out of which 48 products are under the "0" quota. Information on the value of the taxes levied upon shall be additionally forwarded after the Law on Customs Tariffs has been passed, which is currently before the Parliament.

(b) Exports

Under the Resolution on Export Incentives (Official Gazette No. 81/93) and amendments to it (Official Gazette No. 30/95), enterprises that export and collect export revenues on agricultural and food products are entitled to export subsidy, which is as follows: cattle products - at the rate of 16 per cent, for grape and wine, 12 per cent, for fruits and vegetables 5.0 per cent, for rice and products made or rice at the rate of 5 per cent and for lamb and mutton 30 per cent.

(c) Export prohibitions and restrictions

In order to secure the market supply with certain agricultural products, restrictions are introduced and implemented with regard to the export. In the agribusiness, out of the total 980 tariff items for agricultural and food products, 77 tariff items are under quantitative quota, while 70 tariff items are under the "0" quota.

No taxes are imposed on the export of agricultural products.

(d) Export credits, export credit guarantees or insurance programmes

Generally export credits and, in that framework, exports of agricultural products, existed in 1993 and were awarded through primary emission of the National Bank (selective credits). Primary emission (selective credits) having been cancelled, there are no longer export credits for agricultural products.

(e) Internal policies

Owing to the needs for enlarging the scope, quality and assortment of agricultural output, in the first place towards the development and larger share of livestock breeding, as well as of high levels of processing (milk, flour, sugar, cooking oil), and for the purpose of creating conditions for increase in production, there are interventions in the form of subsidies as a special support to the development of production of certain agricultural products.

In 1994, funds for subsidising agricultural production were limited to 1.8 per cent of GSP. These funds were intended for securing premiums for brought-out quantities of certain basic agricultural and food products (wheat, sun-flower, rape, sugar-beet and alfalfa), then subsidy for high-quality seeds (wheat, corn, sun-flower, rape, sugar-beet and alfalfa), as well as the subsidy for the part of interest rates for credits used for financing the production and storing of production of wheat, corn, sun-flower, rape, sugar-beet and tobacco, production of milk and fattening of young bulls and lambs.

The macro-economic policy expands the safeguard prices for certain agricultural products in certain years. The amount of the protective prices is determined on the basis of the lowest production unit cost in the country.

Thus in 1993, the following safeguard prices were proscribed per kilogram of the following agricultural products: wheat - 4.10 Denars; sunflower - 8.40 Denars, rape - 8.00 Denars, sugar beet - 0.80 Denars, raw tobacco - 42 Denars which was later raised to 60 Denars, fattened bull calves - 29.70 Denars and for lambs - 75 Denars (1DM=27.00 Denars).

In 1994, the following safeguard prices were proscribed: wheat - 10.00 Denars, raw tobacco - 82.00 Denars, fattened bull calves - 60.00 Denars and for lambs - 50.00 Denars. In 1995, the following safeguard prices were proscribed: wheat - 10.00 Denars, sunflower - 12.50 Denars, sugar beet - 2.00 Denars, fattened bull calves - 60.00 Denars and for lambs - 50.00 Denars.

On the basis of the macro-economic policy, a Law on the Agricultural Development Incentives is adopted where the right to premiums for certain types of basic agricultural products, raw materials subsidies, etc. are provisioned for. Furthermore, pursuant to the adopted Law, the Government adopts a Programme for Agricultural Development Incentives for each year, where the funds to be allotted for certain purposes are defined.

The subsidy funds for agricultural production in 1993 were 1.2 per cent, while in 1994 they were 1.8 per cent of the GSP. These funds are secured for premiums for certain types of agricultural products, subsidies for quality seed varieties, as well as subsidy for part of the interests on credits allotted to finance the production and the supplies of certain products in the domestic production.

In the 1993-1996 period the conditions are the following:

- In 1993, there was 20 per cent premium for wheat or 0.28 Denars and 1.10 (stimulative premium), for sunflower - 15 per cent or 1.26 Denars, rape - 15 per cent or 1.29 Denars, sugar beet - 15 per cent or 0.12 Denars, cow milk 1.43 and sheep milk 2.68 Denars per litre.
- In 1994, there was a 20 per cent or 2.00 Denars premium for wheat, sunflower 15 per cent or 1.87 Denars, rape 15 per cent or 1.80 Denars, sugar beet 15 per cent or 0.30 Denars and milk 3.00 Denars per litre.
- In 1995, there was 20 per cent premium for wheat or 2.0 Denars per kilo, for sunflower- 15 per cent or 1.8 Denars per kilo, rape - 15 per cent or 1.80 Denars pr kilo, sugar beet - 15 per cent or 0.30 Denars per kilo, milk 3.0 Denars per litre

The subsidies for certain types of raw materials such as seeds, artificial fertilisers and protective materials are afforded with the purpose of lowering the direct material costs in agricultural production, then to stimulate farmers to raise products that are of special interest to the State, as well as that they utilise quality raw materials, which on its part is an important precondition for attaining higher and quality production.

In 1993, measures were adopted for subsidising the procurement of artificial fertilisers by 20 per cent of the current production price and for the procurement of wheat, corn, sunflower, rape and alfalfa seeds by 30 per cent respectively of the current production prices.

In 1994, only quality seed varieties for the following crops were subsidised: wheat, corn, sunflower, rape, sugar beet and alfalfa by 20 per cent respectively of the current production price.

In 1995, only quality seed varieties for the following crops were subsidised: wheat, corn, sunflowers, rape, sugar beet and alfalfa by 20 per cent respectively of the current production price.

Measures of the Programme for Agricultural Development Incentives

In order to facilitate continuous support to the incentives for the agricultural development, what on its part facilitates the introduction of income based varieties and breeds in the production the Programme for Agricultural Development Incentives in the Republic of Macedonia is adopted each year.

The ploughland in mountainous regions is mainly with lowered production capacities, then it is rather poor with nutrients and due to its geographical and ecological features it is rather degraded.

Therefore, activating low productive and abandoned ploughland through artificial meadows is the only possibility for its most rational utilisation. In fact the raising of artificial meadows facilitates that greater quantities of quality cattlefeed are obtained, which is necessary for livestock feeding in the winter period.

TABLE 12

Funds of the Programme for Agricultural Development Incentives

	1993	1994	1995
Raising of artificial meadows and seeds production from esparzeta	2,100,000 Den. 700 ha. artificial meadows 400 ha. esparzeta	7,651,563 Den. 600 ha. artificial meadows 400 ha. esparzeta	10,832,301 Den. 1100 ha. artificial meadows 725 ha. esparzeta
Live-stock, fishery and bee keeping development incentives	5,597,667 Den.	33,422,912 Den.	23,561,149 Den.
Co-financing of damp construction for small accumulation lakes and small hydro-reclamation systems for agricultural development	10,876,271 Den.	22,962,040 den.	26,699,792 Den.

Promotion of individual farmer's production:	4,000,000 Den.	7,844,680 Den.	7,132,291 Den.
- Farming	150,000 Den.	1,375,300 Den.	1,590,000 Den.
- Gardening	150,000 Den.	1,375,200 Den.	1,590,000 Den.
- Fruit raising	86,000 Den.	750,000 Den.	1,280,000 Den.
- Viticulture	625,000 Den.	770,000 Den.	175,000 Den.
- General measure (agricultural education and products)	2,989,000 Den.	3,574,180 Den.	2,497,291 Den.
Fund for protection and utilisation of arable land	2,100,000 Den. for clearing 500 ha.	2,667,600 Den. for clearing 497 ha.	2,400,000 Den. for clearing 320 ha.

With the purpose of intensifying the development of livestock raising the programme provisions measures for accelerated breed improvement, what at the same time means increased milk and meat production, improvement of sheep breeds, establishment of centres for swine and goat breeding, increase in the number of healthy bee colonies, as well as stocking with fish of certain fishing areas and reservoirs and production of quality fish offspring.

Due to the uneven distribution of rainfalls in the course of a year's time, certain areas are left without irrigation and other water for the development of agriculture, livestock raising and of other economic activities. Thus, irrigation water for livestock raising and for other needs in agriculture, as well as the supply of drinking water is most often achieved through the construction of dams for small accumulation lakes, basins for accumulation of flowing waters and through construction of small hydro-reclamation systems.

Stimulating more accelerated development of farming and gardening production in the individual farmers' sector is done through application of modern agro-technical measures, introduction of new more productive varieties of gardening products, establishment of production and demonstrative experiments through the application of new selections and hybrids, etc. In order to initiate a production that would be market competitive, as well as in order to create the possibility of approaching foreign markets there were seed subsidies which helped improve the structure of the planted areas according to the types and varieties.

This programme also provisions funds for establishing new farming areas through ploughing the abandoned farming areas, as well as through the revitalisation of farming areas that were earlier used for other purposes.

TABLE 13

Budgetary Funds According to the Year and Purpose

(million Denars)

Purpose	1993	1994	1995
Premiums total	260.0	889.0	801.0
Subsidies for quality seed varieties	240.0	176.5	278.0
Subsidies for part of the interests	300.5	973.7	719.0
Programme for Agricultural Development Incentives	300.0	75.0	91.5
Revitalisation of rural areas	25.0		15.0
Establishment of agricultural exchange market	20.0		16.0
TOTAL:	1,145.5	2,114.2	2,010.5

5. Policies Affecting Foreign Trade in Other Sectors

Importation of textile products is not limited in terms of quantity.

Voluntary export restraints are applied to the exportation of textile products to the European Communities and the United States.

VERs towards the European Communities are in conformity with the European Communities' Council's Regulation No. 517/94 of 7 March 1994 which prescribes general rules for importation of textile products from third countries that have no bilateral agreements, protocols, other treaties or with other specific Community import rules. The quota on import of textile products to the European Communities is divided on products originating from Bosnia and Herzegovina, Croatia and Macedonia. There are special VERs with respect to finished textile products and for finishing.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

1. General

Concerning the fact that intellectual property has big value in modern society and economic relations, and that it is *spiritus movens* for society development, Republic of Macedonia has devoted noticeable attention to the protection of intellectual property rights from the very beginning of independence. Intellectual property rights are protected in the Constitution of the Republic of Macedonia from 1991 year. The rights arising from the scientific, artistic and other type of intellectual works are guaranteed by Article 47 of the Constitution of the Republic of Macedonia. According to above mentioned provision and the provisions in of the present legislative, especially the obligations arising from international conventions and treaties, our country protects and respects domestic and foreign persons' intellectual property rights.

On 23 July 1993, Republic of Macedonia became a member of the World Intellectual Property Organization (WIPO). The Republic of Macedonia, as one of successors of the Former SFRY, with the Declaration to the World Intellectual Property Organization is a member of the Convention Establishing the World Intellectual Property Organization; the Paris Convention for the Protection of Industrial Property; the Madrid Agreement Concerning the International Registration of Marks; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; the Locarno Agreement Establishing an International Classification for Industrial Designs; and the Bern Convention for the Protection of Literary and Artistic Works. The Government passed a Decision on 12 June 1995, for the Ministry of Foreign Affairs to take all necessary activities for ratification of the World (universal) Convention for Copyright and the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite.

(a) Intellectual property policy

In the Republic of Macedonia intellectual property rights are regulated by:

1. Act of Industrial Property (Official Gazette No. 42/93).
2. Law for Ratification of the Patent Co-operation Treaty (Official Gazette No. 19/95).
3. Copyright Law (Official Gazette Nos. 19/78, 24/86, 21/90), which is adopted as national law by the Constitutional Law for implementation of the Constitution of the Republic of Macedonia.

4. Directions for transfer and maintenance of industrial property rights acquired at Federal Patent Office of the former SFRY (Official Gazette No. 52/93).
5. Regulations for the Procedure for Recognition of Patent (Official Gazette No. 15/94).
6. Regulations for the Procedure for Recognition of the Mark Rights (Official Gazette No. 15/94).
7. Regulations for the Procedure for Recognition of Industrial Design Rights (Official Gazette No. 15/94).
8. Regulations for the Representatives' Registry Book and the Contents of the Professional Exam for Representatives in the Procedure of Protection of the Industrial Property (Official Gazette No. 15/94).
9. Regulations for Compensation for Public Performance and Performance of Music Works in the Public (Official Gazette Nos. 61.92, 3/93, 35/93, 60/93, 17/94).

Intellectual property legislative is in relation with European and world tendencies. In general, these are regulations passed after the Declaration of Independence of our country. Professionals from WIPO and other international competent authorities have positive opinions for most of them.

The concept of intellectual property contains the copyright and related rights and industrial property.

The new Copyright and Related Rights Act is before the Assembly since 27 November 1995 (hereinafter ZAPSP).

The Copyright Law which is in force regulates the rights of authors in literary and art works and a part of related rights (the rights of artists - performers); the rights will be regulated totally for artists - performers, producers of phonograms and videograms (film producers), network organisations and other new types of publishing by ZAPSP.

Patent rights, industrial design rights, trademark rights, appellation of origin rights, etc. are regulated as industrial property rights by present legislative.

- (b) Responsible agencies for policy formulation and implementation

For protection of intellectual property rights and for the legislative are responsible Ministry of Development (for industrial property rights) and Ministry of Culture (for copyright and related rights).

- (i) For creating and implementation of protection of copyright and related rights is responsible Ministry of Culture.

According to the present Law, protection of copyright is done by the author personally or through his representative. The representative, according to the Law, can be authorised natural person or authorised organisation, like most author agencies and collective organisations for small music rights (ZAMP), which, in the meantime, became a member of CISAC.

According to ZAPSP, protection of the copyright and related rights will be forced personally or through representative. Protection of these rights through representative will be forced through collective organisations too. For types of rights, collective implementation will be obligation. Collective organisations of authors will pass general tariffs for using copyright and related rights, and the possibility for concluding special tariffs for using of different types of rights by different users is provided.

The authors, whose rights are implemented collectively, will be able to inspect the implementation, according to the general rules of collective organisation.

The Ministry of Culture will do administrative control on collective realisation of copyright and related rights.

The Law will provide the inspection if the Ministry of Culture for the activity of natural and legal persons who work in distribution with originals or copies of copyright or related rights.

(ii) Industrial Property Protection Office is established on 1 December 1993. The Office is organ within the Ministry of Development having a capacity of legal entity. The Office protects industrial property rights and gives services upon the requests of interested parties. The Industrial Property Representatives' Registry Book is kept by the Office. The Office issues the Official Gazette named GLASNIK (quarterly) where acquired rights, changes and termination of industrial property rights are published.

Because of the law insurance of the applicants or the holders of the rights, the Republic of Macedonia pursuant to the Act of Industrial Property, accepted provisions of this Act to be applied to the applications for recognition of the rights of industrial property filed to the Federal Patent Office of Former SFRY up to 26 April 1992, and for which the administrative procedure was not completed. For the purpose of continuing the administrative procedure, the legal and natural persons should transfer the applications to the Office up to 15 July 1994. The acquired rights for the industrial property in the Federal; Patent Office of Former SFRY that were valid on the day the Act of Industrial Property came into force, the holders should transfer up to 15 July 1995.

(c) Membership of international intellectual property conventions and of regional or bilateral agreements

Republic of Macedonia became a member of the World Intellectual Property Organization on 23 July 1993, by the Declaration submitted to Director General of the WIPO. Republic of Macedonia accepts the following conventions and treaties as successor of former SFRY:

1. The Convention Establishing the World Intellectual Property Organization.
2. The Paris Convention for the Protection of Industrial Property.
3. The Madrid Agreement Concerning the International Registration of Marks.
4. The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.
5. The Locarno Agreement Establishing an International Classification for Industrial Designs.
6. The Bern Convention for the Protection of Literary and Artistic Works.

In the meantime, the Government passed Decision No. 23-694/1 on 21 March 1994, of accession to the Permanent Committee for Industrial Property Information of the WIPO and Decision No. 23-3440/1 on 19 October 1994, of accession to the Patent Co-operation Treaty, and the Parliament passed the Law for Ratification of the Patent Co-operation Treaty (Official Gazette No. 19/95).

With the new ZAPSP (in procedure) ratification and notification is provided for:

- Rome Convention for the Protection of the Performers, Producers of Phonograms and Broadcasting Organisations (26 October 1961), where reserve is suggested according to Article 16 paragraph 1(a)(i), in connection of non-implementation of the provisions of Article 12, as well as reserve of the Article 5 paragraph 3 in connection of non-implementing of the criteria for performing in connection with paragraph 1(c) of the same Article.
- Convention for the Protection of the Producers of Phonograms Against Unauthorised Duplication of their Phonograms (1971).

The Republic of Macedonia has concluded no bilateral or regional agreements for regulating the regime of intellectual property rights, neither is a member of this type regional organisation.

(d) Application of national and MFN treatment to foreign nationals

(i) Foreign natural and legal persons, according to the principle of national treatment, has copyright and related rights protection as well as domestic persons, if it is regulated by the law, international treaty or if there is real reciprocity.

Foreign authors will be protected, according to ZAPSP (in procedure) if: they are residents in Republic of Macedonia, the author works are issued in Republic of Macedonia first time, or are issued in Republic of Macedonia not later than 30 days from the day of issuing in other country, producer of audio-visual work is resident of Republic of Macedonia, or painting art as immovable property is in the territory of Republic of Macedonia.

Foreign performers will be protected if they are residents of the Republic of Macedonia, if the performances are performed in Republic of Macedonia, if the performances are recorded on phonograms or videograms and if the performances are recorded in broadcast programme.

Foreign performers of phonograms and film producers will have the right for protection if phonogram or videogram is recorded first time in the Republic of Macedonia.

Foreign publishers will be protected if the publication is published in the Republic of Macedonia first time or if it is published in the Republic of Macedonia not later than 30 days of the day of publishing in the other country.

Foreign broadcast organisations will be protected according to ZAPSP if they broadcast own programs through transmitter which are in the territory of the Republic of Macedonia.

(ii) Domestic and foreign legal and natural persons have equal rights and obligations for protection of industrial property rights. They have equal treatment no matter if they are citizens of the Republic of Macedonia, foreigners or residents or persons who live in the Republic of Macedonia.

The obligations and the amount for paying taxes and fees are equal for domestic and foreign persons. This practice is in accordance with accepted international conventions. There is obligation for foreign natural and legal persons who achieve their industrial property rights before the Industrial Property Protection Office and the other institutions in the Republic of Macedonia to have representatives - domestic legal or natural person (citizen of the Republic of Macedonia), registered as industrial property representatives. The list of representatives is kept by the Office and is available on a request of the interested parties.

(e) Fees and taxes

Copyright are not liable on the regime of paying taxes and fees because the Republic of Macedonia does not accept regime of registering of copyright, which means that the holders acquired the copyright on the day publishing the works.

For protection of industrial property rights (patent, industrial design, trademarks, appellation of origin, licence, etc.) taxes and fees have to be paid. The amount of the taxes and fees for the services of the Industrial Property Protection Office are regulated by the Law of Administrative Taxes (Tariff numbers 86 to 102) and by the Decision for the Amount for the Special Fees for the Procedure and the Fees for Giving Informative Services of the IPPO.

The Law of Administrative taxes provides paying taxes for filing application, maintenance of the rights, request for the renewal of the rights, certificates, proposals for returning in previous condition, request for termination of the rights, opposition, decision for request for entering and cancellation of acquired right, request for changing of data in the Registry, for additional application for patents, etc. The amount is from 100 to 3,000 Macedonian Denars.

Decision for special fees for procedure and fees for informative services provides paying fees for completing the application, publishing data of acquired industrial property rights, for printing of patent document, for researching data base (domestic and foreigner), extract from the registry books, etc. The fee amount is from 270 to 10,800 Macedonian Denars.

2. Substantive Standards of Protection

(a) Copyright and related rights

Copyright is regulated by the present Copyright Law, and the new ZAPSP is before the Assembly. The Government on 27 November 1995 in its 51st session, adopted the draft copyright and related rights act.

According to ZAPSP, copyright is individual and intellectual work in literary, science and art, independently of the type, way and form of expression. As copyright especially are: literary works, brochures, science works and discussions, articles, etc., as well as computer programs (written works); speech works; music works with or without text, plays, play-music and puppet works; choreographic and pantomimic works; photography forks; art works; broadcast works; architecture works; map works; applied art and industrial design works; as well as other scientific, educational, cultural and other fields' works.

Translations, adaptations, music arrangements, changes and other processing of natural copyright which is individual and intellectual work, are copyright too. Autonomous copyright are collections of copyright, like encyclopaedias, anthologies, data bases, data collections and other, which means individual and intellectual work according to the origin, purpose or schedule of the consents.

So, the author of the work is natural person who creates the work. If the copyright is created by two or more natural persons, and can not be separated, all persons are co-authors of the work.

According to ZAPSP, copyright is unique and can not be separated from the work and contents exclusive natural-legal authorisations (moral copyright), exclusive legal - property authorisations (material copyright) and other authorisations from the author (other copyright).

Moral copyright mean individual and intellectual author's connections with the work and are expressed through exclusive rights of first issuing, recognition of the rights, opposition to all using of the work which can damage the person and reputation of the author, as well as his right for cancelling the right of using material copyright.

Material copyright protects property interests of the author and contents the author's rights for giving permission for using the work in material form (reproduction, distribution and leasing), in non material form (public performance, public transmission, public transmission by phonograms and videograms, public releasing, broadcast programme, broadcast transmission and secondary broadcast transmission) and in changed form (translation, processing and broadcast adaptation).

The author has rights for approach and delivery and right for succession.

In some cases by ZAPSP is provided restriction of author monopoly on his work. This cases are: legal permissions (licences) for education and periodic, free using of public information with common meanings, education, private or other own reproduction, right of quotation, nonessential adding, works on public places (parks, streets, squares), using of the works in arbitrage, etc.

The copyright protection, according to ZAPSP lasts during author's life and 70 years after his death. In the present Copyright Law, this protection lasts 50 years after author's death, and in some cases 25 years after his death.

According to ZAPSP, copyright is not transferable, because the author can not transfer moral copyright, he can transfer only material and other copyright.

The copyright in total is right of succession, except the right of cancellation.

Forced execution is not permitted, it is possible only in material values which raised from copyright.

Transfer of a part of material copyright or other author's rights can be done according to the contents, space and time. According to ZAPSP, transfer can be exclusive, where the holder of copyright uses the work in strictly determined way, the author and any other person are excluded of using the work.

ZAPSP regulates next copyright agreements: issuing agreement, agreement for public reproduction, copyright agreement realised in labour relations, agreement for broadcasting adaptation, agreement for broadcasting (film) production and agreement for producing phonograms. Only basic relations are settled in the agreements, because of the freedom of contracted parties.

The rights related to copyright, which means the rights arising by using copyright are related rights and those are rights of performers, producers of phonograms, film producers, broadcasting organisations and publishers.

According to ZAPSP, performers are artists, singers, musicians, dancers and other persons, which separately or in group, perform authors' or folklore works by dancing, singing, speaking, reciting, or in the other way.

Performers, separately or in group, have exclusive moral performer rights in the case of issuing of the performance, in the case of shooting or having packing of the shoot performance, their name or other signs to be noticed. Performers, separately or in group, have exclusively performance moral right to opposite to each changing or using of their performance which can damage their honour and reputation.

Performers have exclusive moral performance rights on: broadcast programme of their performance, transmission of live performance outside of the performance areas; shooting of the performance alive; reproduction of their performance on phonograms and videograms; distribution of phonograms and videograms with their performance, and leasing of phonograms and videograms with their performance.

Performer has the right on the part of the compensation (50 per cent) the producer has of the phonograms for public performance of phonograms and their performance.

Performers' rights lasts 50 years from the day of the performance, which means 50 years from the day of legal issuing or publishing. In the present Copyright Law, these rights lasts 20 years from the day of performance, from the day of the legal issuing or publishing.

Producer of phonograms is natural or legal person who shoot the sounds of the performance or other sounds the first. The producer of phonograms has exclusive rights to reproduce, adapt, distribute and rent own phonograms. He has the right for compensation for broadcast programming of the phonogram or its reproduction.

Phonogram producers' rights lasts 50 years from the day of production, or 50 years from the day of the first legal issuing or publishing.

Film producer is natural or legal person who in own name, for himself or for others leads and organises the production of broadcast work and is responsible for finishing the same.

Film producer has exclusive rights to reproduce, distribute, rent and release own videograms. He has the right for compensation for private or other own reproduction.

Film producers' rights lasts 50 years from the day of production, or 50 years from the day of the first legal issuing or public publishing.

Broadcasting organisations has exclusive rights for broadcast transmission, public presentation at charged places, shooting, reproduction of the programs and distribution of the programs for own releases.

Broadcasting organisations' rights lasts 50 years from the day of the first broadcast programming.

Person who will legally issue unpublished work with expired copyright, enjoys material copyright and other author's rights, the protection lasts 25 years from the day of the first publishing.

Person who will make critical or scientific publishing of the work with expired copyright, which is essentially different than the other known published issues of the work, enjoys material copyright and other author's rights, the protection lasts 30 years from the day of the first legal issuing of the work.

Implementation and protection of copyright and related rights is treated in Article I(b) of this enclosure.

(b) Trademarks, including service marks

The mark right is regulated by the Act of Industrial Property and the Regulations for Procedure of Recognition of Markright. A trademark, respectively service mark shall protect a sign which shall serve in the turnover to make differentiation between goods, respectively services of the same or similar type. The seal, the stamp and the punch (a official sign for precious metals, measures and similar) shall not be considered as a trademark. Only a sign convenient for making differentiation between goods and services, in the turnover, such as: picture, drawing, word, expression, vignette, code, combination of these signs and combination of colours may be protected as a mark. The Act provides protection of three-dimensional and collective trademarks.

Protection of the trademark lasts ten years from the day of filing the application. Duration can be renewed unlimited times.

The procedure for recognising mark right shall be set in motion by the application containing request for granting the right. The application has to be submitted to the Industrial Property Protection Office. The day of receiving the complete application for trademark in the Office is the day of priority for the applicant against any other person who shall file an application for the same trademark.

Upon the receipt of the application, the Office shall examine whether it is orderly. Should the Office find that the application is not orderly, it shall in written form stating the reasons, invites the applicant to eliminate the faults, within a term not exceeding two months as of the date of the submission of the invitation. Should the applicant fail to eliminate within the determined term all the faults that he was obliged to eliminate, the application shall be rejected by a decision.

The mark right shall be recognised by a decision, to the applicant who first submitted the relevant application. The recognised mark right will be registered in the Registry Book kept by the Office. In the Registry Book shall also be registered all changes made latter referring to the holder of the right and the right itself. Recognition data will be issued at Official Gazette of the Office. After registration, the holder of the right will get trademark document.

Should the holder of the mark fail to use, from non-justified reasons, the trademark for marking the goods or services to which it refers more than 5 years from the date of the entry into the Registry Book, i.e. from the date when the mark had been used from the last time, a decision may be passed upon request of the person concerned for termination of the mark. The validity of the trademark shall expire as of the day the decision for the termination of the trademark becomes legal validity, passed by the Office.

The decision for recognition of the trademark right shall be declared as invalidity if it will be concluded that conditions are not set forth for recognition of that right. The decision for recognition of the right may be declare as invalidity during the entire period of protection *ex officio*, upon proposal of the person concerned or by proposal of the public prosecutor.

The recognised trademark right shall be terminated before the expiration of the terms if the holder of the right ceased of the right, if the taxes and fees are not paid, on the bodies of the court decision or decision by the Office and if the legal person, holder of the right has ceased to exist, i.e., if the natural person, holder of the right died.

Trademark right can be transferred by written contract. The agreement has to be registered in the Registry Book in the Office upon the request of one of the contracted parties. The right for using the trademark can be assigned by the licence agreement. The licence agreement has to be register in the Registry Book of the Office, upon the request of one of the contracted parties.

(c) Geographical indications, including appellations of origin

The appellation of origin shall protect the geographic name of the product, its special features being predominantly conditioned by the place, i.e. the region where it has been produced, if those features have been gained by natural means, under the influence of climate or soil or the customary manner and procedure of production or manufacture.

The appellation of origin shall also protect the product name which, by its long use in turnover, has become generally known as a mark that the product originates from a certain place of region.

The appellation of origin shall not protect the geographic name of the product which, by its long use in turnover, has become generally known as a mark for a certain kind of products.

The appellation of origin may be used for making natural products, agricultural products, industrial products, craft products and handicrafts. The duration of the appellation of origin shall be unlimited.

The Office, upon obtaining opinion from relevant institutions and organs of administration shall recognise the appellation of origin, which must contain: the geographic name which is protected by appellation of origin, products which may be put on sale with a specific appellation of origin, the place, i.e. region from which the product put on sale originates with an appellation of origin, the features a product must meet in order to be put on sale bearing the sign of its origin, and the manner of marking the product.

The appellation of origin shall be determined by entering the geographic name of the product and the kind of product which this sign refers to into the Registry Book of appellation of origin. An appellation of origin may also be determined in favour of a foreign legal person in accordance with an international agreement for reciprocity protection of appellations of origin, to which the Republic of Macedonia is signatory or is admitted.

The appellation of origin shall be a collective right and may be used by legal and natural persons who produce or put on sale a product for which the appellation of origin has been determined and which, as authorised users of the appellation of origin, are entered in the Registry Book of users of appellation of origin.

A unauthorised legal or natural person can not use the appellation of origin even if it adds to this appellation of origin the words “of type”, “by manner”, “by procedure” and similar.

The procedure for recognising the appellation of origin shall be set in motion by a written request for granting protection to the geographic name of the product. The request may be filed by a State organ, a unit local community or the manufacturer.

The right for use of a protected appellation of origin may not be transferred.

(d) Industrial designs

Industrial design has two prototypes. Those are model and design. A new external shape or craft product or its part shall be protected by a model. A new picture or drawing which may be applied on some industrial or craft product or its part, shall be protected by a design. Photographic and cartographic works, technical plans and drawings, shall not be protected by model or design.

The shape of body, picture or drawing are new, when significantly are different from those previously filed and from those available to the public before filing the application, except those for which the application is withheld before announcing the decision recognising the model or design. When assessing whether the filed shape of a body, picture or drawing are new, the fact that they become available to the public, within at least 6 months prior to the day of filing the application without the consent of the author, shall not be affected.

The model and design lasts 10 years as of the day the application of the model or design has been submitted. The duration of the industrial design can not be renewed.

The procedure for recognition industrial design shall be set in motion by the application containing the request for granting the right. A separate application shall be filed for each new shape of body, picture or drawing. One application for industrial design may contain several models or designs, implemented on products, classified in the same category, according to the international classification of industrial design.

As of the day an application has been received by the Office, the applicant shall have the right of priority against any other person who shall file later an application for the same new shape of body, picture or drawing. In the industrial design application the shape of body, picture or drawing can not be essentially changed additionally. The application of industrial design must also include the

following contents: description of the body, picture or drawing and a photo or design of the shape of body, picture or drawing. The description of the body, i.e. picture, drawing, photo or design of the shape of body must be such, so that it can be clear of what this new invention for which protection is requested consists of.

Upon the receipt of the application, the Office shall examine whether it is orderly. Should the Office find that the application is not orderly, it shall in written form stating the reasons, invites the applicant to eliminate the faults, within a term not exceeding two months as of the date of the submission of the invitation. Should the applicant fail to eliminate within the determined term all the faults that he was obliged to eliminate, the application shall be rejected by a decision.

If the application is orderly the Office makes examination if the conditions for recognition of the right are relevant. The industrial design right shall be recognised by a decision to the applicant who first submitted the relevant application.

The Office shall register into the relevant Registry Book the recognised right. In the Registry Book shall also be registered all changes made later referring to the holder of the right and the right itself. Industrial design right data registered in the Registry Book shall be published in the Official Gazette of the Office. After registration, the holder of the right will get an industrial design document.

The recognised industrial design right shall be terminated before the expiration of the term of 10 (ten) years if the holder of the right ceased of the right, if the taxes and fees are not paid, on the bodies of the court decision or decision by the Office and if the legal person, holder of the right has ceased to exist, i.e., if the natural person, holder of the right died.

Industrial design right can be transferred by written contract, totally or partially. The agreement has to be registered in the Registry Book in the Office upon the request of one of the contracted parties.

The right for using the industrial design can be assigned by the licence agreement. The licence agreement has to be register in the Registry Book of the Office, upon the request of one of the contracted parties.

(e) Patents

Invention representing new technical solution for certain problem, new plant sort and hybrid resulting from creative work, which is technically viable and which could be applied in industrial or other type of activity, shall be protected by a patent. Scientific discoveries, scientific theories, mathematical methods, aesthetic creations, plans, principles and methods for performing intellectual work, computer programs and forms for offering information, shall not be considered as inventions. A patent shall not protect an invention the announcement or use being contrary to the law or morality, and an invention of surgical or diagnostic procedure of a treatment procedure directly applied on live humans or animals. This shall not refer to products and especially not to matters or mixtures used for the application of one of these methods.

The invention shall be considered new if before filing the application of a patent, it has not been presented in technical domain. It shall be considered that the invention is the result of creative work when 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 fields.

A supplement to an invention of improvement of an invention may be protected with an additional patent.

The patent shall last 20 (twenty) years, as of the day the application for a patent has been filed. Should a patent of addition become primary, it can not last longer than the first primary patent to which the addition patent refers to. When the primary patent ceases to be valid, the addition patent shall also cease to be valid.

The procedure for recognising the patent shall be set in motion by the application containing the request for granting the right. One application for a patent may contain one or more inventions, mutually linked in such a manner in order to accomplish one invention idea. As of the day an application of a patent has been received by the Office, the applicant shall have a right of priority against any other person who shall file an application for the same invention. The application for the patent may not be additionally changed by extending the subject for which protection is requested.

Upon the receipt of the application, the Office shall examine whether it is orderly. Should the Office find that the application is not orderly, it shall in written form stating the reasons, invites the applicant to eliminate the faults, within a term not exceeding two months as of the date of the submission of the invitation. Should the applicant fail to eliminate within the determined term all the faults that he was obliged to eliminate, the application shall be rejected by a decision.

Should the application be orderly inquiries shall be made whether the conditions for recognising the right for which protection has been requested, have been met.

The data contained in the application for the patent and the abstract with a draft stating the technical features of the invention, shall be announced in the Official Gazette of the Office upon the expiration of 18 (eighteen) months as of a date the application has been filled, i.e. from the date of the required right for priority. After the announcement in the Official Gazette of the Office, the application shall be fully accessible to any person. The applicant may fill request the application to be announced prior to the expiration of the term of 18 (eighteen) months, but not before the expiration of the term of 3 (three) months as of the date it has been filed to the Office.

A patent registered in the Patent Registry Book shall be recognised as of the date the data contained in the application and the abstract have been published in the Official Gazette of the Office. If the applicant pays the taxes and the fees for the issuance of the patent document within the determined term, the Office shall issue the document for recognition patent.

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 requirements set forth in the provisions of Articles 13, 14, 15 of the Act of Industrial Property. Should the holder of the patent or owner of the exclusive right fail to act the obligation to submit to the office written evidence, the validity of the relevant patent shall cease after the date of the expiration of the tenth year of validity the latest. As the written evidence that the invention fulfilled all requirements stipulated in Articles 13, 14, 15 of the Act of Industrial Property shall be considered a recognised patent for an identical invention which has been recognised, after detailed examination, by a State or international patent office which, according to Article 32 of the Patent Co-operation Treaty, has the status of an international institution for previous examination or other patent office with which a relevant agreement had been concluded or expert rapport of on the examination of the novelty in the patent issued by an institution which, according to Article 16 of the Patent Co-operation Treaty, has the status of an international institution for generating data, or another patent office with which relevant agreement had been concluded.

On the basis of the submitted evidence, the Office passed decision and in that case the patent lasts 20 (twenty) years.

Should the aim fail to be reached by the issuance of a compulsory licence, upon request of a legal or natural person concerned, and by prior opinion of the Ministry competent for the field in which the invention is to be used, a decision may be passed for termination of the patent. The request for the termination of the patent may not be filed before the expiration of two years as of the date of the issuance of the first compulsory licence. The validity of the patent shall expire as of a day the decision of the termination of a patent becomes legal validity, adopted by the Office.

The recognised patent shall be terminated before the expiration of the term if the holder of the ceased of the right, if the taxes and fees are not paid, on the bodies of the court decision or decision by the Office and if the legal person, holder of the right has ceased to exist, i.e., if the natural person, holder of the right died.

The decision for recognition of the patent shall be declared as invalid if it is concluded that the conditions are not set forth for recognition of that right. The decision for recognition of the patent may be declare as invalidity during the entire period of protection *ex officio*, upon proposal of the person concerned or by proposal of the public prosecutor.

Patent can be transferred by written contract. The agreement has to be registered in the Registry Book in the Office upon the request of one of the contracted parties.

The right for using the patent can be assigned by the licence agreement. The licence agreement has to be register in the Registry Book of the Office, upon the request of one of the contracted parties.

(f) Plant variety protection

The protection of the new plant sort and hybrid in the Republic of Macedonia is patent protection. The provisions of the Act of Industrial Property and the Regulations for Procedure for Recognition for the Patent which are referred on the protection on the inventions, refer also to the new plant sort and hybrids.

Duration of the protection, procedure for recognition, termination of validity and transferring are identical as in the part which is concerned of the patent protection.

(g) Layout designs of integrated circuits

The Republic of Macedonia does not have a special law for the protection of layout-designs of integrated circuits. Protection as in the case of the most countries in the world, is in accordance with the provisions of the Copyright Law, Act of Industrial Property, Trade Law (part for Unfair Competition), or combination of all these mentioned. According to the rule - *jure conventiones*, Republic of Macedonia applies the provisions of Paris Convention for Protection of Industrial Property and the Bern Convention for Protection of Literary and Artistic Works.

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

The Republic of Macedonia does not have a special law for the protection of undisclosed information, including trade secrets and text data. Protection of undisclosed information, including trade secrets is regulated with the provisions of the Law of Enterprises (Articles 176-178b) and Trade Law (Articles 31-37), basically with the provisions for unfair competition. The part concerned know-how is regulated with the law for foreign trade activity. According to the rule - *jure conventiones*, Republic of Macedonia applies the provisions of Paris Convention for Protection of Industrial Property and the Bern Convention for Protection of Literary and Artistic Works.

According to the provision of the Law of Enterprises, the documents and data set forth in the statute, i.e. rules or another general self-management enactment, or general enactment of the enterprise whose disclosure to any unauthorised person would be contrary to the business of the enterprise or would damage the interests and business reputation of the enterprise, shall be deemed trade secrets. The documents and data set forth in the statute, i.e. rules or another general self-management enactment, i.e. general enactment of an enterprise as trade secrets, may be disclosed to other person by person authorised for it by such enactment. The obligation to keep the trade secret lasts after the termination of the workers' employment in the enterprise. According to the statute, enterprise concludes contract with the general manager and other workers, that during their employment in the enterprise and 2 (two) years later on, they can not establish the company which can make damages to the first enterprise by its activity. If the workers did opposite of above mentioned conditions, the enterprise can require compensation for damages before the court and has the right to file an action for cancellation the activity from the court registry book which made damage.

3. Measures to Control Abuse of Intellectual Property Rights

(i) According to ZAPSP (in procedure), authors and holders of copyright and related rights, inspection of the Ministry of Culture, police and public prosecutor take the measures for prevention the abuses of copyright and related rights.

The authors and other holders of copyright and related rights, independently or through representatives which can be the collective organisation, can bring criminal charges, if there is suspicion for criminal act which is in the authorities' line of duty according to ZAPSP, public prosecutor bring an action. At the same time suitable protective measures can be required.

By ZAPSP are provided infringements of copyright and related rights and infringement sanctions are provided.

Inspection of Ministry of Culture does ordinary and extraordinary inspection and control, investigates each case separately and if it is established that someone's copyright or related rights is injured, takes legal measures and bring infringement action. The request for suitable protective measures can be required at the same time with the infringement action.

(ii) The customs, market inspection, police and public prosecutor bring measures to prevent abuses of the industrial property rights. The Intellectual Property Protection Office, if has an information from the holder of the industrial property right that some rights are violated, informs public prosecutor, police, customs and market inspection about that.

Market inspection does regular control, investigates each case separately and if someone's industrial property right is violated, brings infringement activity, or economic offences activity to the court.

If there is suspicion that there is criminal act in violation of someone's industrial property right, the Office or market inspection inform the public prosecutor who brings activity. Suitable security measures can be required at the same time.

The customs controls abuses of the intellectual property rights at the border, through control of the products, which means if the products have suitable certificate.

According to Trade Law, in the Ministry of Economy is established the Commission, which duty is to control illegal activities for restriction the market, unfair competition and other activities against market and free competition. If the Commission recognised that there is such activity, it has

the right to check documentation. If the Commission established such present activity, it has obligation to inform Minister of Economy for bringing suitable measures.

4. Enforcement

(a) Civil judicial procedures and remedies

According to present legislative concerning intellectual property rights (Copyright Law, Act for Industrial Property and Trade Law), in the Republic of Macedonia is provided civil protection. The person whose right is violated can bring charges to the court. Unauthorised using, handling and imitation are violent of the intellectual property rights. The holder of violated right can required by bringing the charge: claim damages; prohibition for further violation; public announcement of the court decision on defendant's charge. The applicant, the holder of the right, authorised user and licensee can bring the charge.

The law provides authors' dispute, where the charge right lasts in the time of duration of the right.

(i) According to ZAPSP (in procedure), for copyright's and related rights' violation are provided court protective measures: prohibition for preparing the violations, the same present violation and future violations; to force the violator to eliminate the conditions provoked by the infringement; to distort or to manufacture illegal produced copies of the work and its packing material and to destroy or to manufacture means and equipment used in violation.

According to ZAPSP (in procedure), is provided so called civil punishment, for the action when the material copyright or other author's right is violated by intention or by indifference. This provision provides getting back of agreed or usual author's fee increased 200 per cent, no matter if there is or there is not material damage.

(ii) The term for bringing the charge for violation of industrial property right is 3 (three) years from the day the complainant is informed for the violation. Separate of this is the charge for establishing similar or identical trademark, where the term is 5 (five) years from the day of entering into the Registry of Trademarks.

The procedure in the charge for intellectual property right's violation is urgent. After the first instance decision, unsatisfied party has the right to complain. The verdict become legal validity with the decision on the complaint. There is possibility for extraordinary legal remedies after the verdict became legal validity.

The person whose rights are violated can require publishing the verdict in public, on defendant's charge.

(b) Provisional measures

According to the Law of Executive Procedure (Articles 262-274), the intellectual property right holders, can require the court decision for accepting requirement for provisional measures, all together after bringing in charge or simultaneously with bringing in charge intellectual property right violation.

The provisional measures can be fixed before or during the court or administrative procedure, as well as after finishing those procedures.

Provisional measures for security not monetary claim can be established, if the creditor did the existence of the claim possible and the danger that in other case the realisation of the claim will be

frustrated or essentially difficult. Provisional measures can be determined in the case when the creditor did possible that the measure is necessary to prevent using of power or appearing irrecoverable damage. Several types of provisional measures can be required and determined. In the proposal for provisional measures the duration of the measures has to be determined. If creditor doesn't bring in charge in the determined terms, i.e. doesn't have other procedure for justification of provisional measures or the time for which provisional measure is determined is terminated, the court, on debtor's proposal, will stop the procedure and will terminate this activity. The debtor has the right of compensation from the creditor ,for damages done by the provisional measure which is established as unfounded or which the creditor does not clear.

The procedure for the proposal for provisional measures is urgent.

The provisions in ZAPSP (in procedure) for provisional measures and proofs are harmonised with the basic laws, i.e. the Law for Executive Procedure and the Law on Civil Procedure. It is important that both can be put into effect without prior information and interrogation of the opposite party, which is especially suitable for copyright and related rights infringements.

(c) Any administrative procedures and remedies

(i) The holders of copyright mark the original or copies of own work with the mark "C" in front own name or title and the year of first issuing.

The holders of exclusive rights of phonograms mark the original or copies of own issued phonogram or its packing material with the mark "P" in front of the name or title and the year of first issuing.

The right for registering the originals or copies of works, phonograms, videograms or related rights objects in the register of the representative or collective organisation is facultative.

(ii) For industrial property rights it is necessary to have registration in the registries at the Office. The procedure for these rights is combination of general administrative procedure and special administrative procedure established in the Act of Industrial Property and Regulations for Patent, Trademark, Industrial Design Rights.

This procedure is elaborated in the part concerning the patent, industrial design, trademark and appellation of origin right.

The Office makes decisions in first degree. The Ministry of Development makes decisions in second degree. If the applicant is not satisfied with the decision, he can establish administrative dispute before Supreme Court of the Republic of Macedonia not later than 30 (thirty) days from the day of receiving the decision.

(d) Any special border measures

The border measures, which the customs authorities can release, are established in the Paris Convention for Protection of Industrial Property, Articles 9 and 10, according to the rule - *jure conventiones*. These measures can be implemented upon request of the holder or licensee.

The provisional measures characteristics are the same for border measures provided by ZAPSP, these activities are from the body responsible for the customs.

These measures are cancelled in the period of 10 (ten) days, if the holder of the right does not bring in charge or does not start other procedure for releasing the other measures.

(e) Criminal procedures

Present Criminal Law of the Republic of Macedonia provides two criminal offences - protection of inventors' right and unauthorised using of somebody else's firm and registered trademark, Article 165 and Article 250. Public prosecutor *ex officio* prosecutes performers of these criminal offences.

Copyright Law provides following criminal offences: plagiarism, unauthorised changing of somebody else's author's work; unauthorised using of somebody else's author's work, without permission; putting in turnover or public display or transmission by radio - diffusion or by the other manner authors' work which are unauthorised duplicated or reproduced for acquiring property benefit. Performers of these criminal offences are prosecuted by private criminal action.

ZAPSP (in procedure) provides criminal offences which are prosecuted by private criminal action, as follow: unauthorised publicising; performing, showing or broadcasting somebody else's work under the other name or under one's own or without permission of the performer performing or recording of performing or broadcasting, duplicating, putting in turnover or by the other manner violates the copyright or the right of performer, and criminal offences prosecuted *ex officio* by the public prosecutor, in the cases where somebody unauthorised uses authors' work and intends to acquire big unlawful property benefit (5 respectively 50 wages).

5. Laws, Decrees, Regulations and Other Legal Acts Relating to the Above

Enforcement and protection of the copyright and related rights and industrial property rights are regulated by the following:

1. Act of Industrial Property (Official Gazette No. 42/93).
2. Law for Ratification of the Patent Co-operation Treaty (Official Gazette No. 19/95).
3. Copyright Law (Official Gazette Nos. 19/78, 24/86, 21/90), which is adopted as national law by the Constitutional Law for implementation of the Constitution of the Republic of Macedonia.
4. Directions for transfer and maintenance of industrial property rights acquired at Federal Patent Office of the former SFRY (Official Gazette No. 52/93).
5. Regulations for the Procedure for Recognition of Patent (Official Gazette No. 15/94).
6. Regulations for the Procedure for Recognition of the Mark Rights (Official Gazette No. 15/94).
7. Regulations for the Procedure for Recognition of Industrial Design Rights (Official Gazette No. 15/94).
8. Regulations for the Representatives' Registry Book and the Contents of the Professional Exam for Representatives in the Procedure of Protection of the Industrial Property (Official Gazette No. 15/94).
9. Regulations for Compensation for Public Performance and Performance of Music Works in the Public (Official Gazette Nos. 61/92, 3/93, 35/93, 60/93, 17/94).
10. Directions for transferring an maintenance of validity of industrial property rights acquired before the Federal Patent Office of former SFRY (Official Gazette No. 52/93).
11. Trade Law (Official Gazette No. 23/95).
12. Law for general administrative procedure.
13. Law for civil procedure.
14. Law for criminal procedure.
15. Law for general administrative procedure.
16. Law for enforcement procedure.
17. Law of enterprises.
18. Criminal Law.
19. Law for administrative disputes.

20. Law for foreign trade activities.
21. Law of obligations.
22. Law for administrative taxes (Tariff Nos. 86 -102).
23. Law for courts.
24. Decision for amount of special fees for procedure and fees for giving informative services of the Industrial Property Protection Office.

6. Statistical Data on Applications For and Grants of Intellectual Property Rights

(i) Patents

The number of patent applications data, local and foreign, at the Industrial Property Protection Office of the Republic of Macedonia increased. The number of patent applications in 1994 significantly increased than in 1993, especially at foreign patent applications - four times and all applications for two times.

In 1994 are filled 378 applications, with 19.6 per cent domestic applications and 80.4 per cent foreign applications.

TABLE 14

Patent Applications by Years

Year	Foreign	Domestic	Total
1992	-	14	14
1993	70	66	136
1994	304	74	378
TOTAL	374	154	528

In comparative to 1993, the number of domestic applications goes down from 48.5 per cent to 19.6 per cent, and the number of foreign applications is increased from 51.5 per cent to 80.4 per cent. These changes are very relative, participation of domestic application goes down because foreign applicants reacted very fast.

The participation of the applicants from Germany rises up from 11.8 per cent to 17.7 per cent, the same happened with the applications from the United States (from 0.7 per cent to 13.7 per cent) and Italy (from 2.2 per cent to 7.7 per cent). The participation of the applications from several countries goes down, e.g. Switzerland (from 16.9 per cent to 5.3 per cent) and Great Britain (from 3.8 per cent to 2.6 per cent), but the absolute number of the applications from Great Britain is increased.

(ii) Trademarks

Comparative with 1993, the number of applications in 1994 is increased two times. The number of applications from foreign applicants is increased for six times, and the number of domestic applicants goes down for 70.6 per cent. The reduction of domestic applications is because of huge number of applications in 1993.

The total number of applications in 1994 was 3,739, with 9.6 per cent domestic applications and 90.4 per cent foreign applications.

TABLE 15

Trademark Applications by Years

Year	Total	Foreign	Domestic
1992	21	20	1
1993	1,787	562	1,225
1994	3,739	3,379	360
TOTAL	5,547	3,961	1,586

The participation of domestic applications is reduced from 31.4 per cent to 9.6 per cent, but the participation of foreign applications is rises up from 68.6 per cent to 90.4 per cent, compared with 1993.

The participation of the applications from the Federal Republic of Yugoslavia is the biggest in 1994 (from 0.3 per cent to 4.9 per cent), than from Slovenia (from 3.2 per cent to 13. per cent) and from Croatia (from 5.8 per cent to 6.6 per cent). Compare to the last year, 1994 the participation of applications from the United States, Great Britain and Japan goes down.

(iii) *Industrial designs*

The industrial design applications data shows rising up at domestic and foreign applications. The number of applications in 1994 is increased approximately 2.8 times, at domestic 2.2 times, at foreign five times.

TABLE 16

Industrial Design Applications by Years

Year	Total	Foreign	Domestic
1992	4	-	4
1993	21	4	17
1994	58	21	37
TOTAL	83	25	58

Until 30 June 1995 Industrial Property Protection Office registered 125 patents, 15 industrial designs (models) and 493 trademarks. There is no one registered appellation of origin.

VI. TRADE RELATED SERVICES REGIME

1. General

1. Banking

The banking sector has been regulated by the Law on Banks and Savings Institutions (Official Gazette of the Republic of Macedonia Nos. 31/93 and 78/93).

In accordance with the provisions of this Law, banks and savings institutions have been defined as legal entities that operate independently with the purpose of making profit.

Banks are established as companies limited by shares. Their founders can be domestic and foreign legal and natural persons, under equal conditions. Along banks, foreign banks can establish their branches and representative offices.

The minimum nominal capital necessary for establishing a bank is 3,000,000 DM, while for establishing a foreign bank branch it is 1,000,000 DM, however these amounts are going to be raised in the forthcoming period. If the bank is to perform external banking operations then the minimum nominal capital necessary for its establishment is 9,000,000 DM.

There no restrictions imposed on the foreign investment in the total amount of the bank's minimum nominal capital. In establishing a bank, each individual founder's share can be up to 20 per cent of the bank's minimum nominal capital in cash money. The National Bank issues the licence for establishing and for the operation of the bank and of the foreign bank branch, the National Bank also being authorised to control their operations. Thus far, 21 licences for establishing banks have been issued, out of which 8 are for mixed owned companies, while one is for a foreign bank branch.

Banks can perform the following operations:

1. Receive all types of cash deposits from legal and natural persons;
2. Extend and receive credits;
3. Perform foreign exchange operations;
4. Purchase bills of exchange and cheques;
5. Issue securities;
6. Issue credit cards
7. Keep and manage securities, things made of precious metals and other valuables;
8. Buy and sell securities;
9. Issue guarantees, backing guarantees and other types of guarantees;
10. Perform payment operations in the country;
11. Perform external payment operations;
12. Perform external credit and guarantee operations;
13. Insure deposits;
14. Service and buy out debts;
15. Perform brokerage in the securities market;
16. Buy and collect claims;
17. Economic and financial consulting;
18. Perform brokerage in fixed assets leasing;
19. Services for collection of payments for invoices, records keeping, financing of short term claims until their collection;
20. Perform other types of financial services (safe-deposit leasing; consulting services and other); and
21. Other banking operations.

Denar savings deposits in the amount of 10,000 DM in the Denar counter value are guaranteed by the National Bank of Macedonia, while the bank is responsible to secure all (Denar and foreign currency) savings deposits. It is planned that changes are to be introduced with regard to the guarantees of the National Bank, i.e., it is planned that a separate institution is established that shall guarantee savings deposits.

Savings institutions can established by legal persons, that have registered head offices in the Republic of Macedonia and natural persons-nationals of the Republic of Macedonia. The minimum nominal capital necessary for establishing a savings institution is 150,000 DM.

The National Bank issues the licence for their establishment.

Savings institutions collect savings deposits from natural persons and extend credits to them. The surplus funds can be lent to legal entities, but only through a bank.

The National bank does not guarantee the savings deposits in the savings institutions.

There are 22 savings institutions in the Republic of Macedonia.

Separate type of savings institution is the postal savings bank established by the PTT Company, with a minimum nominal capital of 500,000 DM.

A foreign bank can establish its branch or representative office.

The minimum nominal capital necessary for establishing a foreign bank branch is 1,000,000 DM. The branch has the status of a legal entity, but is not authorised to perform external payment operations. The bank performs the external payment operations through a bank of the Republic of Macedonia, authorised to perform payment operations abroad, except with regard to payments made to the parent bank or with regard to receiving foreign currency remittances on the basis of capital relations, which activities are performed directly by the savings bank.

The representative office of a foreign bank does not have the status of a legal entity and therefore cannot perform banking operations. The representative office shall perform activities with regard to representing, giving information and promoting the foreign bank. In order a foreign bank representative office can be established it is necessary that the National Bank issues a licence.

2. Insurance

Insurance in the Republic of Macedonia has been regulated by the Law Insurance of Property and Persons (Official Gazette No. 49/93).

In accordance with the Law provisions, the insurance companies perform insurance of property and persons and other types of insurance activities. Property and persons insurance encompasses the following: conclusion and implementation of contracts for insurance of property and persons, then re-insurance contracts and activities with regard to the prevention of risks endangering insured property or persons.

Other types of insurance activities are the following: brokerage and representation in insurance activities; assessment of risks, establishment and assessment of damages; legal consulting and other intellectual and technical services connected with insurance activities.

Insurance is performed by:

1. Companies limited by shares that can be established by domestic legal and natural persons. These companies are entitled to perform all insurance operations.
2. Public companies which are established by a decision by the Government of the Republic of Macedonia for performing insurance of values of common interest, from risks that present a general threat. So far no public insurance company has been established.
3. Companies that perform brokering and representing activities in insurance which can be established by insurance companies together with domestic legal and natural persons.

The licence for establishment of insurance companies is issued by the Ministry of Finance. For each type of insurance activity a different amount of minimum nominal capital necessary for the establishment of the company has been proscribed:

- companies that perform life insurance: 500,000 DM;
- companies that perform property insurance: 1,000,000 DM;
- companies that perform re-insurance: 1,000,000 DM and
- companies that perform brokerage and representing in insurance activities: 1.000.000 DM.

There have been eight insurance companies established thus far in the Republic of Macedonia, two of which perform property and life insurance and re-insurance, one performs property and life insurance; three perform property insurance, one performs life insurance and one company performs brokerage in insurance activities.

Foreign legal and natural persons can be the founders of mixed insurance companies, exclusively with domestic legal and natural persons.

A mixed insurance company cannot perform re-insurance, nor can it insure companies for production and trade of arms and military equipment.

A foreign insurance company can establish its representative office, while a licence by the Ministry of Finance is necessary. The representative office cannot afford services (perform insurance) on the territory of the Republic of Macedonia.

The Law on Insurance of Property and Persons does not proscribe prohibitions with regard to the possibility that nationals of the Republic of Macedonia are insured at foreign insurance companies. However, such insurance does not have any legal effect in the Republic of Macedonia.

3. Tourism

(i) The following services of the catering industry and tourism have been regulated in the relevant Law:

- accommodation and food services in the basic and complementary facilities;
- organisation and realisation of tourist travels, outings, excursions and other tourist arrangements in the country and abroad;
- tourist information services;
- selling and brokerage in the trade of tourist and catering services;
- ticket sales and insurance of travellers and tourists;
- advertising, promotion and representation services with regard to tourist advantages and the overall tourist offer;
- organisation of cultural and sports events;
- exchange operations;
- renting of vehicles and vessels;
- sales of souvenirs and tourists publications, as well as of other goods usually marketed in tourist trade.

The Law on the Catering Industry and Tourism (Official Gazette No. 23/95) provisions the conditions and the manners for performing activities in the catering industry and in tourism.

According to the provisions of the said Law, no special licence is required for the performance of operations in tourism. Tourist services are extended by legal persons entered in the Court Register, then shops without the status of a legal persons registered at the District Units of the Ministry of Economy.

In order catering and tourist operations could be performed it is necessary that the proscribed minimum technical conditions are fulfilled, which conditions are contained in the Regulations on the Minimum Technical Conditions for the Performance of Catering and Tourist Operations, as well as the Regulations on the Categorisation of Tourist Facilities. (Official Gazette No. 95/95), which was adopted by the Ministry of Economy.

The Ministry of Economy establishes a Commission that performs the categorisation of tourist facilities, which Commission later adopts a Decision.

In accordance with the Law on the Catering Industry and Tourism, tourist guides can only be nationals of the Republic of Macedonia, who have at least completed secondary education and who have passed the required examinations.

- (ii) Government departments with authorisations in the field of tourist services are the following:
- the Ministry of Economy is authorised for the following: development and promotion of tourism, elaboration of system measures and programmes for tourism, co-operation with international tourist institutions;
 - the Tourism Directorate, as part of the Ministry of Economy, is authorised for the following: following development trends, realisation of activities in the field of tourist advertising and information;
 - the Ministry of Economy, i.e., its Market Inspection is authorised for the following: control of the implementation of the laws and acts regulating tourism;
 - Other bodies with authorisations are the following: Tourist Unions and Associations are authorised for information activities; The Chamber of Commerce, i.e., the Hoteliers and Tourist Agencies Associations, which follow the performance of activities in this field.
- (iii) The issue of regulating the relations with regard to the legal remedies for administrative decisions affecting tourist and catering services is based on the establishment of courts and the State administration organs, in the State system. Article 15 of the Constitution guarantees the right to appeal against individual legal acts issued in first instance proceedings, by a court, administrative body or organisation or by other institution carrying out public mandates. This means that an appeal to the second instance court can be lodged against each legal act of an administrative body, inspection organ or by other organs, while the second instance court ruling can be contested at the Supreme Court, after whose decision the ruling becomes legally binding.
- (iv) Within the legal system solutions each activity with regard to the establishment of a monopoly is prohibited. There are no legal persons in the Republic of Macedonia that have a monopoly over tourist services.
- (v) Foreign subjects that facilitate tourist services have equal status regardless of the country of origin.

4. Telecommunications

The State organ responsible for the regulations in the field of telecommunications is the Ministry of Transport and Communications.

Activities related to the construction, maintenance and the utilisation of the postal and telecommunications infrastructure on the territory of the Republic of Macedonia are all performed by

the "Macedonia" Public Company for Postal and Telecommunications Services - Skopje. This company is the only one that offers postal and telecommunications services for the country and abroad.

The "Macedonia" Public Company operates independently with regard to its business policy and the realisation of the postal and telecommunications services. Taking into consideration the wider public interest, the Government exercises its influence upon the work of this postal and telecommunications services company through its Managing Board composed of members appointed by the Government of the Republic of Macedonia.

The Parliament is currently considering the draft law on telecommunications, which, as the basic law in this field facilitates, for the first time, liberalisation of the market in the telecommunications sector.

In pursuance with the Law on Concessions and the Law on Foreign Investments, conditions are created for participation of foreign persons in the investment and service in the telecommunications sector.

Table 17 shows of the total number of telephone subscribers and data on the overall telephone traffic for 1993, 1994 and 1995.

TABLE 17

Telephone Traffic

	1993	1994	1994
Telephone subscribers	325,000	338,000	350,000
Total number of telephone impulses in the domestic and international traffic	4.3 billion telephone impulses	4.4 billion telephone impulses	4.6 billion telephone impulses
Total number of initiated international telephone traffic	25 million minutes	30 million minutes	38 million minutes
Total number of initiated international telephone traffic	54 million minutes	63 million minutes	64 million minutes

5. Air traffic

The Civil Aviation Directorate (CAD) that works as part of the Ministry of Transport and Telecommunications is responsible for the issues in the field of civil aviation and air traffic. The CAD is also responsible for regulating issues of importance for the safety of aviation, then for securing conditions for safe and regular performance of air traffic.

The CAD, through its Flight Control Department, performs activities with regard to the leading of aircraft, as well as the landing and taking off operations of aircraft at the airports in Skopje and Ohrid.

The CAD is also responsible for issuance of licences for regular and charter commercial air traffic.

The CAD also keeps records of all aircraft in the Republic of Macedonia and is authorised to issue the following certificates: AOC-Air Operator Certificate, Certificate of Worthiness, Certificate of Registration, Noise Certificate and for the issuance of licences for aircraft maintenance services.

The CAD also organises inspection in the field of civil aviation (technical inspection, inspection of the crew and other personnel, carriage and dispatch of passengers, goods and mail by aircraft, health and sanitary inspection, airports inspection).

The preparation of drafts of legal and other acts in the field of civil aviation and air traffic is also the responsibility of the CAD, which is also directly responsible for their implementation.

In the Republic of Macedonia, public air traffic (regular and charter) is performed on the basis of the Convention on International Civil Aviation, adopted in Chicago in 1944, along with all its subsequent alterations and amendments, then on the basis of the Convention on the Unification of Regulations in the Field of International Air Traffic adopted in Warsaw, along with all its subsequent alterations and amendments, as well as on the basis of other conventions in this field mainly related to civil air traffic. The Republic of Macedonia has also concluded bilateral agreements on regular air traffic with 11 European countries: the Republic of Turkey, the Republic of Slovenia, the Republic of Croatia, the Republic of Italy, the Republic of Austria, the Swiss Confederation, the Kingdom of Sweden, the Kingdom of Denmark, the Kingdom of Great Britain and Northern Ireland, while preparations are underway for conclusion of agreements with another 4 to 5 countries: the Kingdom of Netherlands, the Federal Republic of Yugoslavia, the Russian Federation, Ukraine and the Republic of Albania. The air traffic with these countries is performed on the basis of the provisions contained in the said agreements, while in cases where such agreements are absent, air traffic is performed on the basis of temporary licences issued by the CAD, on the basis of the principle of reciprocity. The conditions regulating international air traffic are provisioned in the bilateral agreements, as well as in the temporary licences issued to domestic and foreign airlines by the CAD, which fully correspond to the international practice in the field of civil air traffic.

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

The Republic of Macedonia has concluded the following agreements:

- the Agreement on Economic Co-operation between the Republic of Macedonia and the Republic of Slovenia;
- the Agreement on Trade and Economic Co-operation between the Republic of Macedonia and the Republic of Turkey;
- the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Croatia on Trade and Economic Co-operation;
- the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Bulgaria on Trade and Economic Co-operation;
- the Agreement on Trade and Economic Co-operation concluded between the Government of the Republic of Macedonia and the Government of the Russian Federation;

- the Agreement on Trade Co-operation between the Republic of Macedonia and the Republic of Bosnia and Herzegovina;
- the Agreement between the Republic of Macedonia and the Republic of Turkey on Tourist Co-operation;
- the Declaration of the Governments of the EFTA Countries and the Macedonian Government.

In the course of 1995, Macedonia submitted the application for an observer status in meetings of the CEFTA member States.

The following agreements on economic co-operation have been initialled:

- the Agreement on Trade and Economic Co-operation between the Republic of Macedonia and the People's Republic of China;
- the Agreement on Trade and Economic Co-operation between the Republic of Macedonia and the Republic of Albania;
- the Agreement on Trade and Economic Co-operation between the Macedonian Government and the Swiss Federal Council;
- the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Hungary on Trade and Economic Co-operation.

The Co-operation Agreement between the Republic of Macedonia and the European Communities is being negotiated.

The respective agreements on economic co-operation with Poland and Romania are being prepared.

ANNEX I

Goods Which on Export and Import are on "KK" Regime - Quantity Contingent for the Period From
1 January 1996 to 31 March 1996

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
1.	Studhorses for breeding	0101.193	0
2.	Mares for breeding	0101.194	0
3.	Calves for breeding	0101.195	0
4.	Pure-bred breeding horses	0101.1	0
5.	Live bovine animals, pure-bred breeding animals	0102.10	0
6.	Live bovine animals, other, young bulls weighing 280 kg to 450 kg	0102.905	150
7.	Live animals, other, young bulls	0102.906	50
8.	Calves	0102.907	0
9.	Live swine, pure-bred breeding animals	0103.10	0
10.	Live swine, other	0103.9	0
11.	Meat of bovine animals, fresh or chilled, carcasses and half-carcasses	0201.10	150
12.	Young bulls compensated quarters	0201.2021	200
13.	Young bulls hindquarters	0201.2023	250
14.	Boneless meat	0201.30	0
15.	Meat of bovine animals, frozen, carcasses and half-carcasses	0202.10	0
16.	Meat of bovine animals, frozen, other cuts with bone in	0202.20	0
17.	Meat of bovine animals, frozen, boneless	0202.30	0
18.	Meat of swine, fresh or chilled	0203.10	0
19.	Meat of swine, frozen	0203.2	0
20.	Milk and cream, not concentrated nor containing added sugar or other sweetening matter, of a fat content, by weight, not exceeding 1%	0401.10	0
21.	Milk and cream, not concentrated nor containing added sugar or other sweetening matter, of a fat content, by weight, exceeding 1% but not exceeding 6%	0401.20	0
22.	Milk and cream, not concentrated nor containing added sugar or other sweetening matter, of a fat content, by weight, exceeding 6%	0401.30	0
23.	Milk and cream, concentrated or containing added sugar or other sweetening matter	0402.	0
24.	Butter and other fats and oils derived from milk	0405.00	0
25.	Ambergris	0510.00	2.5
26.	Beans (<i>Vigna</i> spp, <i>Phaseolus</i> spp.), fresh or chilled	0708.20	300
27.	Beans of the species <i>Vigna mungo</i> (L.) Hepper or <i>Vigna radiata</i> (L.) Wilczek, dried	0713.31	0
28.	Small red (Adzuki) beans (<i>Phaseolus Vigna angularis</i>)	0713.32	0
29.	Beans for seeding	0713.321	0
30.	Beans, other	0713.329	0
31.	Durum wheat	1001.10	0
32.	Other wheat	1001.90	0
33.	Rye	1002.00	0
34.	Barley	1003.00	0
35.	Oats	1004.00	0
36.	Maize (corn) seed	1005.10	0

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
37.	Maize (corn) other	1005.90	0
38.	Wheat or meslin flour	1101.00	0
39.	Rye flour	1102.10	0
40.	Maize (corn) flour	1102.20	0
41.	Groats and meal	1103.1	0
42.	Pellets of wheat or other cereals	1103.2	0
43.	Sunflower seeds, whether or not broken	1206.00	0
44.	Hop cones, neither ground nor powdered nor in the form of pellets	1210.10	0
45.	Hop cones, ground, powdered or in the form of pellets; lupulin	1210.20	0
46.	Sugar beet	1212.91	0
47.	Cereal strew and husks, unprepared, whether or not chopped, ground, pressed or in the form of pellets	1213.00	0
48.	Lucerne (alfalfa) meal and pellets	1214.10	0
49.	Other	1214.90	0
50.	Lard; other pig fat and poultry fat, rendered, whether or not pressed or solvent-extracted	1501.00	0
51.	Fats of bovine animals, sheep or goats, raw or rendered, whether or not pressed or solvent-extracted	1502.00	0
52.	Lard stearin, lard oil, oleostearin, oleo-oil and tallow oil, not emulsified or mixed or otherwise prepared	1503.00	0
53.	Crude soya-bean oil	1507.10	0
54.	Other soya-bean oil	1507.90	0
55.	Crude sunflower oil, safflower or cotton-seed	1512.11	0
56.	Other oils	1512.19	0
57.	Rape, colza or mustard crude oil	1514.10	0
58.	Other crude oil	1514.90	0
59.	Other fixed vegetable fats and oils	1515.00	0
60.	Raw sugar not countering added flavouring or colouring matter	1701.1	0
61.	Other refined sugar	1701.9	0
62.	Other molasses	1703.90	0
63.	Other extracts and preparations	1901.90	0
64.	Flours, meals and pellets, of meat or meat offal; greaves	2301.10	0
65.	Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates	2301.20	0
66.	Bran, sharps and other residues of maize (corn)	2302.10	0
67.	Bran, sharps and other residues of rice	2302.20	0
68.	Bran, sharps and other residues of wheat	2302.30	0
69.	Bran, sharps and other residues of other cereals	2302.40	0
70.	Bran, sharps and other residues of leguminous plants	2302.50	0
71.	Residues of starch manufacture and similar residues	2303.10	0
72.	Beet-pulp, bagasse and other waste of sugar manufacture	2303.20	0
73.	Brewing or distilling dregs and waste	2303.30	0
74.	Oil-cakes, of soya	2304.001	0
75.	Other oil-cakes	2304.009	0
76.	Oil-cakes of sunflower seeds	2306.30	0
77.	Other preparations of a kind used in animal feeding	2309.90	0

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
78.	Table salt	2501.001	0
79.	Oils obtained from bituminous minerals	2709.009	0
80.	Motor spirit including aviation spirit	2710.001	0
81.	Spirit type jet fuel	2710.002	0
82.	Other light oils	2710.003	0
83.	Petroleum, kerosene (for motors)	2710.0041	0
84.	Jet fuel of petroleum (kerosene) type	2710.0042	1,250
85.	Other medium oils	2710.005	0
86.	Gas oils	2710.006	0
87.	Ships and other oils	2710.007	0
88.	Other gas oils	2710.008	0
89.	Fuel oils with low sulphur content for metal industry	2710.009	0
90.	Other fuel oils	2710.010	0
91.	Basic oils	2710.011	0
92.	Residuing oils from cultivation	2710.012	0
93.	Heavy distillate	2710.013	0
94.	Motor oils for lubrication	2710.014	4,000
95.	Aviation lubricating oils	2710.015	0
96.	Cylinder lubricating oils	2710.016	1,000
97.	Turbine lubricating oils	2710.017	0
98.	Transformers lubricating oils	2710.018	50
99.	Metal-working compounds	2710.019	0
100.	Lubricating greases	2710.020	0
101.	Other heavy oils	2710.099	0
102.	Natural gas	2711.11	0
103.	Propane	2711.12	0
104.	Butanes	2711.13	0
105.	Ethylene, propylene butylene and butadiene	2711.14	0
106.	Mixtures of propane and butanes	2711.191	0
107.	Other	2711.199	0
108.	Petroleum gases in gaseous state	2711.2	0
109.	Petroleum coke	2713.1	0
110.	Petroleum bitumen	2713.20	0
111.	Other residues of petroleum oils or of oils obtained from bituminous minerals	2713.90	0
112.	Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus and potassium	3105.20	20,000
113.	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogen orthophosphate (diammonium phosphate)	3105.40	15,000
114.	Complex fertilisers containing nitrates and phosphates	3105.511	1,500
115.	Whole hides and skins of bovine animals	4101.10	40
116.	Other hides and skins of bovine animals, fresh or wet-salted	4101.2	40
117.	Other hides and skins of bovine animals, otherwise preserved	4101.30	10
118.	Hides and skins of equine animals	4101.40	10
119.	Raw skin of sheep or lambs with wool on	4102.10	400

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
120.	Raw skin of sheep or lambs without wool on	4102.2	0
121.	Other raw hides and skins of goats or kids	4103.10	50
122.	Other swine and other raw hides and skins	4103.90	0
123.	Whole bovine skin leather of bovine or equine animals, not-finished	4104.101	0
124.	Bovine leather, vegetable pre-tanned, not-finished	4104.211	0
125.	Bovine leather, otherwise pre-tanned, not-finished	4104.221	0
126.	Other leather, not-finished	4104.291	0
127.	Other leather, not-finished	4104.391	1,000
128.	Leather of swine, not-finished	4107.101	25
129.	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms	4401.10	5,000 m3
130.	Wood in chips or particles	4401.2	0
131.	Sawdust and wood waste and scrap whether or not agglomerated in logs, briquettes, pellets or similar forms	4401.30	0
132.	Wood charcoal	4402.00	0
133.	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	4403.10	0
134.	Other, coniferous wood	4403.20	2,000 m3
135.	Other wood in the rough of oak	4403.91	300 m3
136.	Wood in rough of beech	4403.921	2,000 m3
137.	Wood in rough of other hard non-coniferous trees	4403.991	250 m3
138.	Pulp wood of other hard non-coniferous trees	4403.992	0
139.	Wood in rough of poplar	4403.993	200 m3
140.	Pulp wood of poplar	4403.994	200 m3
141.	Wood in rough of other soft non-coniferous trees	4403.995	0
142.	Pulp wood of other soft non-coniferous trees	4403.996	0
143.	Other wood in rough	4403.999	500 m3
144.	Hoopwood, coniferous	4404.10	0
145.	Hoopwood, non-coniferous	4404.20	25,000 pcs.
146.	Wood wool; wood flour	4405.00	0
147.	Railway or tramway sleepers (cross-ties) of wood, not-impregnated	4406.10	0
148.	Other	4406.90	0
149.	Waste and scrap of unbleached craft paper or paperboard or of corrugated paper or paperboard	4707.10	0
150.	Waste and scrap of other paper or paperboard made mainly of bleached chemical pulp, not coloured in the mass	4707.20	0
151.	Waste and scrap of paper or paperboard made mainly of mechanical pulp (for example, newspaper, journals and similar printed matter)	4707.30	0
152.	Other, including unsorted waste and scrap of paper or paperboard	4707.90	100
153.	Waste and scrap of cast iron	7204.10	0
154.	Waste and scrap of alloy stainless steel	7204.21	0
155.	Waste and scrap of tinned iron or steel	7204.30	0
156.	Other waste and scrap of iron or steel	7204.4	0
157.	Remelting scrap ingots	7204.50	0
158.	Copper waste and scrap	7404.00	25
159.	Nickel waste and scrap	7503.00	0
160.	Aluminium waste and scrap	7602.00	25

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
161.	Lead waste and scrap	7802.00	0
162.	Zinc waste and scrap	7902.00	0

Goods Which on Import are on "KK" Regime - Quantity Contingent for the Period From
1 January 1996 to 31 March 1996

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
1.	Sheep	0104.10	100 pcs
2.	Goats	0104.20	400 pcs
3.	Fowls of the species Gallus domesticus for breeding	0105.111	5
4.	Carcasses and half-carcasses of lamb, fresh or chilled	0204.10	0
5.	Other meat of sheep, fresh or chilled	0204.2	0
6.	Carcasses and half-carcasses of lamb, frozen	0204.30	0
7.	Other meat of sheep, frozen	0204.401	0
8.	Meat of goats	0204.50	0
9.	Trout, live (Salmo trutta, Salmo gairdneri, Salmo clarki, Salmo aquabonita, Salmo gilae)	0301.91	4
10.	Carp, live	0301.93	200
11.	Trout, fresh or chilled (Salmo trutta, Salmo gairdneri, Salmo clarki, Salmo aquabonita, Salmo gilae)	0302.11	150
12.	Chicken eggs	0407.005	0
13.	Other live plants, unrooted cuttings and slips	0602.10	0
14.	Edible fruit or nut trees, shrubs and bushes, grafted or not	0602.20	5
15.	Carnations	0603.101	10
16.	Other potatoes, fresh or chilled ¹	0701.90	0
17.	Tomatoes, fresh or chilled ²	0702.00	0
18.	Onions and shallots, fresh or chilled ³	0703.109	0
19.	Cabbage, fresh or chilled ⁴	0704.90	0
20.	Cucumbers and gherkins, fresh or chilled ⁵	0707.00	0
21.	Fruits of the genus Capsicum or of the genus Pimenta, sweet peppers ⁶	0709.601	0
22.	Other peppers ⁷	0709.609	0
23.	Melons (including watermelons) ⁸	0807.10	0
24.	Dried onions	0712.20	20
25.	Fresh grapes	0806.10	0
26.	Apples	0808.10	0
27.	Pears and quinces	0808.20	0
28.	Peaches, including nectarines	0809.30	0
29.	Plums and sloes	0809.40	0
30.	Fresh strawberries	0810.10	0
31.	Fruits of the genus Capsicum or of the genus Pimenta, not ground	0904.201	50
32.	Fruits of the genus Capsicum or of the genus Pimenta, ground	0904.209	30
33.	Durum wheat for sowing	1001.101	0
34.	Other durum wheat	1001.109	0
35.	Other wheat for sowing	1001.901	0
36.	Other wheat	1001.902	0
37.	Meslin	1001.909	0
38.	Rice in the husk (paddy or rough)	1006.10	0
39.	Husked (brown) rice	1006.20	0
40.	Semi-milled or wholly milled rice, whether or not polished or glazed	1006.30	0
41.	Broken rice	1006.40	400
42.	Wheat flour	1101.001	0

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
43.	Meslin flour	1101.009	0
44.	Rice flour	1102.30	0
45.	Other flour	1102.90	0
46.	Artificial honey	1702.901	0
47.	Chewing gum	1704.10	10
48.	Liquorice extract containing more than 10% by weight of sucrose	1704.901	0
49.	White chocolate	1704.902	40
50.	Sweets	1704.903	100
51.	Other	1704.909.	30
52.	Cocoa powder, containing added sugar or other sweetening matter	1806.10	20
53.	Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packing, of a content exceeding 2 kg	1806.20	60
54.	Other, in blocks, slabs or bars, filled	1806.31	50
55.	Other, in blocks, slabs or bars, not-filled	1806.32	50
56.	Other chocolates	1806.90	50
57.	Crispbread	1905.10	10
58.	Gingerbread and the like	1905.20	10
59.	Sweet biscuits; waffles and wafers	1905.30	200
60.	Rusks, toasted bread and similar toasted products	1905.40	15
61.	Bread, pastry, other	1905.30	200
62.	Cucumbers prepared or preserved by vinegar or acetic acid	2001.101	5
63.	Gherkins prepared or preserved by vinegar or acetic acid	2001.109	5
64.	Fruit of the genus Capsicum, prepared or preserved by vinegar or acetic acid	2001.902	5
65.	Sweet peppers prepared or preserved by vinegar or acetic acid	2001.9091	5
66.	Tomatoes, whole or in pieces	2002.10	5
67.	Other	2002.90	5
68.	“Ajvar”	2004.9091	5
69.	“Ajvar”	2005.901	5
70.	Yams	2007.992	15
71.	Tomato juice	2009.50	0
72.	Grape juice (including grape must)	2009.60	2.5
73.	Apple juice	2009.70	2.5
74.	Cherry juice	2009.802	75
75.	Active yeast	2102.10	50
76.	Other yeasts	2102.209	5
77.	Tomato ketchup and other tomato sauces	2103.20	2.5
78.	Sparkling wine in containers holding 2 litres or less	2204.101	20
79.	Sparkling wine in containers holding exceeding 2 litres	2204.109	20
80.	Other wine in containers holding 2 litres or less	2204.21	10
81.	Table wine	2204.291	0
82.	Quality wine	2204.292	40,000 hl
83.	Desert wine	2204.293	0
84.	Other wine	2204.299	0
85.	Other grape must	2204.30	0
86.	Vermouth	2205.101	15

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
87.	Other wine	2205.109	0
88.	Other	2205.90	0
89.	Ethyl alcohol and other spirits, denatured, of any strength	2207.20	50
90.	Cognac, Armagnac	2208.201	50
91.	Brandy	2208.202	0
92.	Wine distillate	2208.902	0
93.	Bran, sharps and other residues of wheat	2302.30	2,000
94.	Oil-cakes of sunflower seeds	2306.30	2,500
95.	Oil-cakes of rape or colza seeds	2306.40	0
96.	Tobacco, not stemmed/stripped	2401.10	1,000
97.	Tobacco, partly or wholly stemmed/stripped	2401.20	0
98.	Tobacco refuse	2401.30	0
99.	Cigarettes containing tobacco	2402.20	100
100.	Other cigarettes	2402.90	0
101.	“Homogenised” or “reconstituted” tobacco	2403.91	20
102.	Portland cement	2523.299	6,500
103.	Lead concentrates	2607.002	0
104.	Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus and potassium	3105.20	1,250
105.	Ammonium dihydrogenorthophosphate (monoammonium phosphate) and mixtures thereof with diammonium hydrogen orthophosphate (diammonium phosphate)	3105.40	1,000
106.	Complex fertilisers containing nitrates and phosphates	3105.511	300
107.	Pre-concentrates on the Cineb, Ciram and Tiram (TMTR)	3808.2011	1
108.	Galvanisation preparations	3823.901	30
109.	Bovine leather, finished	4104.399	500
110.	Retreated tyres	4012.10	0
111.	Used pneumatic tyres	4012.20	0
112.	Other	4012.90	0
113.	Other printed decorative paper	4811.391	5
114.	Ferro-manganese containing by weight more than 2% of carbon	7202.11	0
115.	Ferro-silicon containing by weight more than 55% of silicon	7202.21	0
116.	Ferro-silico-mangane	7202.30	0
117.	Ferro-chromium containing by weight more than 4% of carbon	7202.41	0
118.	Ferro-nickel	7202.60	0
119.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	7208	1,000
120.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled, (cold-reduced) not clad, plated or coated	7209	500
121.	Electrolytically plated or coated with zinc	7210.3	100
122.	Otherwise plated or coated with zinc	7210.4	500
123.	Painted, varnished or plastic coated	7210.70	750
124.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	7211	300
125.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated	7212	250
126.	Line pipe of a kind used for oil or gas pipelines	7304.10	125

No.	Short description	HS Code	Advanced sum for I quarter
1	2	3	4
127.	Casing pipes of other steel , with external diameter 16” or more	7304.203	50
128.	Tubing of other steel	7304.205	150
129.	Cold-drawn or cold-rolled (cold-reduced) pipes	7304.31	125
130.	Cold-drawn or cold-rolled (cold-reduced) pipes	7304.51	0
131.	Other tubes and pipes (for example, welded, riveted or similarly closed), having internal and external cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel	7305	0
132.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	7306	50
133.	Other, welded, of circular cross-section, of iron or non-alloy steel	7306.30	0
134.	Bars, rods and profiles of aluminium, not alloyed	7604.10	15
135.	Bars, rods and profiles of aluminium alloys	7604.2	15
136.	Tubes and pipes of aluminium, not alloyed	7608.10	15
137.	Tubes and pipes of aluminium alloys	7608.20	50
138.	Doors, windows, and their frames and thresholds for doors of aluminium	7610.10	0
139.	Aluminium plates, rods, profiles, tubes and the like, prepared for use in structures	7610.901	0
140.	Other	7610.909	15
141.	Machine tools for working any material by removal of material operated by laser or other light or photon beam processes	8456.10	0
142.	Machine centres	8457.10	0
143.	Numerically controlled boring-milling machines	8459.31	0
144.	Numerically controlled milling machines, knee-type	8459.51	0
145.	Other milling machines	8459.599	0
146.	Buses	8702.101	10 (new)
147.	Motor vehicles for the transport of goods	8704.213	0
148.	Motor vehicles for the transport of goods and trailers and semi-trailers (all subheadings)	8704;8716	0

1. 0701.90 from 15.04 to 15.06. “LB” is replaced with “KK”.
2. 0702.00 from 15.01 to 15.03. “LB” is replaced with “KK”.
3. 0703.109 from 15.05 to 15.06. “LB” is replaced with “KK”.
4. 0704.90 from 10.06 to 30.09. “LB” is replaced with “KK”.
5. 0707.00 from 15.02 to 15.07. “LB” is replaced with “KK”.
6. 0709.601 from 15.03 to 30.10. “LB” is replaced with “KK”.
7. 0709.609 from 15.03 to 30.10. “LB” is replaced with “KK”.
8. 0807.10 from 15.06 to 30.09. “LB” is replaced with “KK”.