



TRADE POLICY REVIEW

REPORT BY

THE REPUBLIC OF NORTH MACEDONIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Republic of North Macedonia is attached.

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1 INTRODUCTION

1.1. In accordance with the objectives and the procedures of trade policy review mechanism arising from its membership, the Republic of North Macedonia is presenting its second Trade Policy Review. This Trade Policy Review is designed to inform WTO Members on important topics that are contributors to the economic growth of the Republic of North Macedonia, thus covering all aspects related to economic, trade, business and investment climate of the country.

1.2. The Republic of North Macedonia is a strong supporter of the rules-based multilateral trading system embodied in the WTO, which gives greater certainty in trade relations, especially for small countries, and contributes to promote open trade, global economic growth and job creation. As a landlocked country, the Republic of North Macedonia has a keen interest in full implementation of the Trade Facilitation Agreement (TFA), in order to facilitate all trade and customs procedures.

1.3. In recognizing the need to keep pace with the developments in the global economy, the Republic of North Macedonia co-sponsored the initiatives to continue work on e-commerce and on domestic regulation on services, as well as to create an informal Working Group on Micro, Small and Medium enterprises (MSMEs) at the WTO. Regarding the topics of the Doha Development Agenda, the Republic of North Macedonia has traditionally supported agricultural reform in all three pillars (market access, domestic support and export subsidies) and shares the position of the recently acceded Members. In the area of TRIPs, supports the protection of biodiversity and traditional knowledge and a higher level of protection for products with geographical indications.

1.4. The Republic of North Macedonia has emphasized membership in the European Union (EU) as one of its strategic priorities. The 2017-2020 Government's Programme maintains EU accession as a prime strategic goal, and focuses its reform agenda on the achievement of, inter alia, economic development, job creation and higher living-standards of the population, a fairer taxation system, enhanced support for domestic enterprises, the rule of law and justice, efficient institutions, high-quality education, as well as the improvement of the country's international reputation and standing. In 2005, the Republic of North Macedonia was granted candidate status for EU membership. In April 2018, the European Commission recommended that the European Council decide that accession negotiations be opened with the Republic of North Macedonia in light of the progress achieved and in view of the sustained reform momentum.

1.5. The main driving forces for the legal, institutional and economic reforms undertaken so far, refers to aligning of the national legislation with EU law (*acquis communautaire*). The reforms are entitled almost to all trade-related legislations, with notable progress in customs, most aspects of trade policy in goods and services, public procurement, agriculture, taxation, technical regulations, energy, transport, etc.

1.6. The economic policy of the Republic of North Macedonia is permanently focused on improvement of the business environment, support of innovation and entrepreneurship as main promoters of dynamic economic growth. The efforts in improving the general investment climate and making it more stable and predictable in order to attract higher levels of both domestic and foreign investment, the World Bank's "Doing Business" has ranked the Republic of North Macedonia on 10th place in 2019.

1.7. The Republic of North Macedonia is a signatory to total of 40 bilateral agreements for mutual protection and promotion of foreign investment, of which 35 are currently in force. Of these, 23 are with EU member states and with states that are important investors. Related to taxation, has concluded 39 treaties for avoiding double taxation with its main economic partners worldwide. During the period under review, 3 new agreements in investment and 11 new double taxation treaties were signed. Also, is a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA) and the New York Convention on the Recognition and enforcement of Foreign Arbitral Awards.

2 ECONOMIC ENVIRONMENT

2.1 Economic Trends

2.1. The macro-economic management of the Republic of North Macedonia is being pegged to the Euro, thus the exchange rate of the Denar remains stable, which results with low inflation up to 1.4% in 2017 and 1.5% in 2018. GDP growth averaged 2.7% on an annual basis from 2013 to 2018 and is projected to 3.2% for 2019. Nominal GDP (EUR billions) reached from 8.1 in 2013 to 10.7 in 2018. GDP per capita increased from EUR 3,945 in 2013 to EUR 5,169 in 2018.

2.2. The Government of the Republic of North Macedonia considers foreign direct investments as one of the cornerstones for future growth and many activities have been focused on wide-ranging reforms in order to increase the economic growth as well as higher FDI inflows. Gross capital formation of GDP has reached to 35.3% in 2018 compared to 28.8% in 2013. Foreign direct investment is 5.8% of GDP in 2018, compared to 3.1% in 2013. The growth of export of goods increased by 16.8% in 2018 compared to 2017, and in 2013 the growth was 3.6%. The growth of import of goods increased by 12.2% in 2018 compared to 2017, and in 2013 the growth declined by 1.7%.

2.3. Republic of North Macedonia's largest export market is by far the EU and the share has considerably grown during the period under review (from 72% in 2013 to 82% in 2018). CEFTA countries hold a declining distant second position (17.6% in 2013 to 11.1% in 2018). The share of other European countries has remained quasi constant (2.6% in 2013, 2.1% in 2018).

2.4. During the period under review, both the shares in GDP of merchandise exports and imports rose, the share of exports increased from 39.6% in 2013 to 54.6.7% in 2018, while that of imports rose from 61.0% in 2013 to 71.4% in 2018. The trend was similar for services albeit at a slower growth pace, from 14.1% in 2013 to 14.6% in 2018 for services exports and from 9.5% in 2013 to 11.3 % in 2018 for services imports.

2.5. The structure of the exports has significantly evolved during the period under review. While base metals and textiles were the largest exports in 2013 with respectively 21.5% and 16.3% of the total, they were in 2018 the third and fourth largest exports with a share of 11.7% and 8.8% respectively. The first two largest exports are now machinery and electrical equipment (26.3% up from 11.9%) and chemicals (23.2% up from 17.8%), as well to include transport equipment (vehicles) from 1.4% to 5.5% in 2018. This reveals the progressive decline of textile exports and the rise of auto and machinery components, for which the Republic of North Macedonia has successfully integrated European value chains.

2.6. According to the expenditure approach of calculating the GDP, gross capital formation increased to 35.3% in 2018, compared to 28.8% in 2013, real terms limited the decline of GDP by 6.5%, thus creating a solid base for strengthening the competitiveness of the economy in the next period. Final consumption fell by 4.1% in real terms (89.3% in 2013, 85.2% in 2018), as a result of decrease in household consumption by 2.9%, and general government consumption by 1.2%. Export of goods and services increased by 21.2%, and the import of goods and services by 16.6%, which influence on high growth of gross capital formation. Hence the deficit of the trade balance has narrowed in absolute terms during the period under review, from EUR -1,863.9 million in 2013 to EUR -1,736.6 million in 2018.

2.7. The monetary policy is the remit of the National Bank of Republic of North Macedonia. According to the law on the National Bank, the primary mission is to achieve and maintain price stability, to contribute to a stable, competitive and market-based financial system and to support the general economic policies of the Government without jeopardizing the achievement of its primary mission and in conformity with the principle of open market economy and free competition. The monetary policy instruments refers to management of the policy rate, issuance of central banks bills, repos auctions, intervention on the foreign exchange, temporary or outright purchasing or selling securities, intraday, overnight and seven days loan facilities, reserve requirements and non-standard instruments.

2.8. The National Bank also pursues a cautious policy of de-euroization of the national economy and a Strategy for de-euroization was adopted in December 2018, according to the Conclusions of

the economic and financial dialogue with EU. The Strategy is oriented towards further strengthening of the confidence in the local currency, which is in favour of the monetary strategy of exchange rate targeting.

2.9. The public debt in 2018 is EUR 5,202.2 billion or 48.5% of GDP. This partly reflects investment in road infrastructure and public construction projects, but is mostly due to recurring primary deficits driven by declined tax revenues and rising current spending. According to the IMF and World Bank notable risks to fiscal sustainability that have built up over time in terms of high gross financing needs and composition of public debt, with limited policy space to counter shocks and address long-term needs, the Government in 2018 started to implement measures to achieve a gradual fiscal consolidation. In 2019 budget introduces a second personal income tax rate at 18% (from 10%) that applies to the top 1% of earners. It also increases the threshold for tax-free allowance and the flat tax rate on capital income from 10 to 15%. Also IMF expects these measures to have a net positive impact on the fiscal balance by 0.2% of GDP in 2019. Measures have also been taken to limit VAT circumvention, close loopholes related to transfer pricing and introduce pre-filled personal income tax forms.

3 TRADE POLICY DEVELOPMENTS

3.1. The Government of the Republic of North Macedonia is committed to strengthening public-private dialogue to improve the participation of businesses and other stakeholders in the trade legislative and policy-making process. National Committee on Trade Facilitation (NCTF) is established in 2017 according to Article 23.2 of WTO TFA. The National Committee is composed of 22 institutions, as are: 9 ministries, 4 agencies and bureaus, 3 state inspectorates, 3 economic chambers and 3 associations. It is obliged to facilitate the domestic coordination in this area and to implement the provisions of the WTO TFA, in cooperation with entities competent for cross-border trading. Also, the private sector is involved in Unique National Electronic Register of Regulations (ENER), set up as e-portal, part of the Regulatory Impact Assessment process in 2009, and managed by the Ministry of Information Society and Public Administration (MISA), which enables the business community and the public at large to engage in the legislative process by having access to all proposed legislation and the opportunity to provide their comments.

3.2. Following the WTO accession process, the Republic of Macedonia had integrated the basic WTO principles in its trade policy, undertook obligations of the membership and provides participation in further creating of the international trade policy. Due to the principle of liberalization, the market of goods and services was opened and liberalized. All laws and regulations governing the right to trade in goods, as well as other measures have been complied with Macedonia's WTO commitments and are implemented in full conformity with these obligations.

3.3. The country is dependent on trade, with exports and imports in goods and services representing around 133% of GDP in 2018. North Macedonia's external trade prospects are closely and increasingly tied to the EU's economy, which represented more than 80% of its merchandise exports and more than 60% of its imports in 2018.

3.1 Licences, Export/Import Controls

3.4. Republic of North Macedonia has made considerable efforts to liberalise the legislative and administrative regimes according to WTO rules. There is one stop shop system for issuing export and import licenses, licenses for transit and tariffs – EXIM fully operational from November 2008. EXIM is an electronic system which links 16 institutions with competence in the field of the foreign trade operations. A special internet portal administered by the Customs Administration (<http://www.exim.gov.mk/>) enables economic operators to request and obtain licences from the relevant government institutions.

3.2 Customs Procedures

3.5. Many developments are made to facilitate trade, whereas the Customs Code 2018 remains the main legislation governing customs procedures and requirements, including the Law on Customs Tariff 2015 and the Law on Excise Duties. The Customs Administration of the Republic of North Macedonia continues to collect revenues, oversee enforcement of the laws and protection of the border, as well as being responsible for transparency and accountability in customs operations. New

Computerized Transit System (NCTS) as a tool for the management and control of transit operations to enhance management efficiency between economic operators and customs offices, which uses advanced technologies and electronic data processing became applicable in March 2014.

3.6. The Republic of North Macedonia became a member of the Convention on a Common Transit Procedure and the Convention on the Simplification of the Formalities in Trade in Goods in July 2015 between EU Member States and EFTA countries. The Conventions provide for easier and faster movement of goods, as transit procedures require only a single transit declaration to be submitted in electronic form.

3.7. Relevant AEO provisions were amended in 2018, to be in line with the relevant articles from UCC (Union Customs Code), UCC IA (Union Customs Code Implementing Act) and UCC DA (Union Customs Code Delegated Act). Two authorisations are issued under amended legislation, one (AEOS) Authorised Economic Operator-Security and Safety in January 2019 and one (AEOC) Authorised Economic Operator-Customs Simplifications in February 2019.

3.8. Customs Administration recently applies ITE (Integrated Tariff Environment) named TARIM system. Economic operators have benefits for on-line (electronic) posting to the information which previously were only delivered on paper, and are informed for each tariff code for customs duties, national excise duty and national non-tariff measures, as well all restrictions on import and export. TARIM advises additional information to reduce the use of consultation and laws on paper. TARIM has a calculation module - the ability to calculate all duties.

3.9. Customs Administration is currently working on developing a new Customs Declarations and Excise Documents Processing System (CDEPS). The Project started in November 2018 and the plan is this system to become operational in June 2019. In February 2019 a testing for implementation of this system as Pilot Project started, which includes 11 Customs Offices. The CDEPS system will establish a paperless environment in the customs operation, as well as interoperability with the customs systems of the European Union (EU). The scope of the CDEPS system is to integrate and interconnect with NCTS systems (New Computerized Transit System), EXIM (Single Window System for Import, Export and Transit Certificates and Customs Quotas) and ITE (Integrated Tariff Environment).

3.3 Technical Regulation

3.10. The Government of the Republic of North Macedonia continues the harmonization process of its technical regulations and standards with the relevant EU Directives in the context of its preparation for accession to the EU, as set out in the National Plan for Adoption of the Acquis and individual strategic documents for accreditation, standardisation and metrology. Since the last TPR, the Republic of North Macedonia has submitted one notification to the WTO TBT Committee with respect to application of TBT measures, as notified in 2015, the proposed introduction of the Draft Law on Construction Products harmonized with Regulation (EU) No. 305/2011 of the European Parliament and of the Council of 9 March 2011.

3.11. The Republic of North Macedonia acknowledges the foreign compliance documents and markings issued in accordance with the international agreements already signed and ratified. Accreditation Institute of the Republic of North Macedonia (IARM) is full member of the European Organization for Accreditation (EA) since 2007 and later signatory of EA-MLA, ILAC-MRA and IAF-MLA of multilateral recognition of EA and international organizations for accreditation ILAC and IAF, and the documents of conformity assessment issued by accredited bodies are recognized. Standardization Institute the Republic of North Macedonia (ISRM) is a full member of the European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC) 2012. ISRM regularly adopts and develops standards and the latest data of total number of European and International standards and standardization documents adopted as national standards and national annexes, is 28,898, based on endorsement method, i.e. "cover page" method. ISRM implements 2018-2020 strategy for development of standardisation, which refers to maintenance and improvement of the standardization system in order to meet the requirements of the business community. ISRM is in the process of establishment of ISRM Certification process of management systems. The Bureau of Metrology (BM) is a full member of the European Association of National Metrology Institutes (EURAMET) since 2010 and has signed an agreement with the General Conference on Weights and Measures, a supreme authority of the International Bureau on

Weights and Measures (associate member of BIPM since 2006), member in OIML since 2004, associate in WELMEC since 2008, as well signatory of the CIPM MRA since 2007. BM manages 9 laboratories for calibration: mass, pressure, density, length, temperature and relative humidity, volume and flow, AC/DC low frequency, time and frequency and acoustics, and one laboratory for testing precious metals alloys, as a part of procedure of hallmarking precious metals articles.

3.4 Privatization

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

3.13. Under the Law on Privatization of State-owned Capital and the Law on Transformation of Enterprises with Social Capital a swift wave of privatizations of state-owned enterprises (SOEs) took place during the 1990s. The process is now nearly completed, with some remaining SOEs operating in sectors such as energy, transportation and water supply. Both domestic and foreign investors are allowed to participate in privatizations through public call procedures. Capital Management is regulated in the Law on Privatization of State-owned Capital, whereas the Ministry of Economy is responsible for sale of state capital declared in shares and stakes in the enterprises and the Ministry of Finance for sale of state capital declared in shares in the banks and financial institutions. The State Pension and Disability Insurance Fund is responsible for management of shares and stakes of capital transferred to the Fund.

3.14. The main developments concerning SOEs during the period under review include: the formation of a strategic partnership between a state-owned tobacco producer (Tutunski Kombinat AD Prilep) and an international tobacco company (2014), through which the latter acquired a 51% stake in the new company; the sale of all shares owned by the Government in Poshtenska Banka (33% of total shares), which there upon became 100% private-owned (2014); and the initiation of bankruptcy proceedings in two industrial SOEs (Electronic manufacturer JSC EMO OHRID and chemical producer JSC OHIS) in 2016. The sale of assets of bankruptcy estate is conducting by e-auction published on the website of the Central Register of the Republic of North Macedonia.

3.5 International Competitiveness

3.15. There is a strong rationale of the Government's new Economic Growth Plan (EGP) with several strategic documents for encouraging competitiveness as a backbone of a sustainable economic growth. EGP contains measures for boosting the investments and competitiveness of the North Macedonia's economy, divided in three pillars, for establishing objective frame for private entities to have the possibilities for utilizing the government support under prescribed conditions and criteria.

3.6 Foreign Investments

3.16. The Republic of North Macedonia has established relatively open FDI regimes characterized by high standards of treatment. There is no specific law regulating foreign investment; the legal framework applicable to foreign investors is provided by various laws, including the Constitution, the Company Law, the Law on Expropriation, sectoral laws and international treaties. The Constitution guarantees equal rights for both national and foreign persons and legal entities when conducting economic activities in the country, except as otherwise provided by the law. The Company Law grants post-establishment national treatment of foreign firms (whether subsidiaries, branches or representative offices), unless otherwise stipulated by an international agreement and/or by a law regulating foreign companies with a specific scope of operations. The Law on Technological Industrial Development Zones (TIDZs) provides for special tax treatment, customs exemptions and other incentives to companies that will invest in the designated TIDZs and the Law on establishing Invest Macedonia Agency regulates attracting foreign investment and export promotion.

3.17. Attracting foreign direct investment remains a key component of the Government's strategic objectives of increasing competitiveness and achieving higher economic growth and development. The current Government Programme (2017-2020) identifies as one of its priorities the development of the domestic enterprises' backward linkages with foreign companies operating in the country. The foreign direct investments contributed to the acceleration of the economic growth of the Republic of North Macedonia by creating new jobs, increasing productivity and competition, industrial

specialization, the transfer of sophisticated technology, faster access to the global market, transfer of management skills, introduction of innovations, as well as higher integration of the country in the international trade. All investors bring new technology and know-how, which inevitably reflect the local economy and the relevant industry. Equally important, is that many of these companies produce highly sophisticated products with high added value, which is already leading to structural changes in the industry and exports in the country.

3.18. During the period under review, Western Balkans have developed Multi-annual Action Plan as a "proposal for a joint approach to furthering economic cooperation in the Western Balkans" in the context of further trade integration, introducing a dynamic regional investment space, facilitating regional mobility, and creating a digital integration agenda. The objective of the MAP REA investment agenda is to prioritise and implement reforms in investment related policies in the WB6 to harmonise them with the EU standards and international best practices, and to promote the region as a sound investment destination to the global business community.

3.19. FDI inflows have been increasing during the period and have reached EUR 338 million in 2016 although they declined in 2017 to EUR 182 million before achieving a record high amount of EUR 624 million in 2018. GDP growth has also rebounded from 0.2% in 2017 to 2.7% in 2018 and IMF expects this trend to continue. Greenfield investments have been particularly significant in manufacturing, including in export-oriented sectors such as the automotive components and food industries. The concentration of FDI in manufacturing reflects the country's industrial skills, as well as other advantages: low labour costs and taxes, geographical proximity to assembly plants; duty free access to the EU market and other markets in the region under its network of FTAs, and a favourable investment environment.

3.7 Technological Industrial Development Zones (TIDZs)

3.20. The Directorate for Technological Industrial Development Zones (DTIDZ) is a public institution responsible for the development of TIDZs throughout the country, and currently is supervising eight active zones in various stages of development. TIDZs are industrial parks equipped with infrastructure suitable for manufacturing activities, based on "normal" rules and regulations, a set of specific regulations for the zones providing favourable investment climate and efficient administrative support. The employ in all active zones is 13,196 workers (25 companies) and participate with 42% in the total export for 2018.

3.21. DTIDZ creates a competitive environment and generates linkage (as matchmaking activities) of foreign investors with domestic firms, attracting manufacturing companies which produce goods with higher added value. According to a recent study by the OECD, the manufacturing sector is the leading sector for FDIs in the Republic of North Macedonia (36% of FDI stock). Numerous investors from EU countries have located export-oriented activities in the country to serve their home markets while benefitting from lower production costs.

3.8 Small and Medium Sized Enterprises

3.22. The Republic of Macedonia provides substantial progress in continuity in harmonizing its Small and medium-sized enterprises (SMEs) policy with the SBA principles, that arises from the new National Strategy for SME (2018-2023), Craft strategy (2012-2020), Woman Entrepreneurship Strategy (2018-2023) and National Strategy on Innovation.

3.23. The Ministry of economy implement measures that arise from these strategies, through annual Program for competitiveness, innovations and entrepreneurship. Program for 2019 is already notified in WTO. The Third Pillar of the Economic Growth Plan is implemented through the Fund for Innovations and Technology Development (FITD) and their Midterm Program. The FITD has developed four types of instrument for financial support: (i) Co-financed grants for newly established enterprises (start-ups and spin-offs). This instrument supports projects that are in the phase of proof-of-concept, up to the close-to market phase by financing support of up to 85% from the total project budget; (ii) Co-financed grants and conditional loans for the commercialization of innovations, to support projects with a clear commercialization objective, which are in the phase of prototype (or appropriate phase depending on the type of innovation) up to close-to-market phase by financing support of up to 70% from the total project budget; (iii) Co-financed grants for technology extension, to enhance the adoption and adaptation of innovative, advanced technologies,

know-how and technology processes in SMEs; (iv) Co-financed grants for the establishment, operations and Investments of Business and Technology Accelerators.

3.9 Sanitary and Phytosanitary Measures

3.24. The Republic of North Macedonia has adopted several laws, regulations, decisions and monitoring programs in the veterinary, food safety and plant protection. The Food and Veterinary Agency (FVA) is a central competent authority for food and feed safety, veterinary policy, quality of food, animal by product and veterinary medicinal products, related to control of food and feed safety, surveillance and monitoring of the veterinary activities in the field of animal health and welfare, veterinary public health, as well control on national reference laboratories and authorized laboratories supporting the needs of the FVA.

3.25. National Phytosanitary System is composed by the following Competent Authorities (CAs): 1) Phytosanitary Directorate (PD); 2) State Phytosanitary Laboratory (SPL); 3) State Agriculture Inspectorate (SAI) and 4) Directorate for Seed and Seedling Materials (DSSM). Phytosanitary Directorate (NPPO) is the competent body for performing activities regarding plants health and plant protection products, responsible for coordination and exchange of information among state authority organs and bodies, implementation of international conventions, agreements and contracts in the area of plant health, which the Republic of North Macedonia has ratified. It is also responsible for issuing phyto-sanitary certificates for import and export of plants, plant products and the State agriculture Inspectorate (SAI) is a competent authority for issuing phyto-sanitary certificates for export and re-export of plants, plant products and plant protection products.

3.10 Intellectual Property

3.26. The main policy document on IPR is the National Strategy on Industrial Property 2016-2018. Its overall aim is to guarantee a level of IPR protection which is similar to that of the EU, and to permanently harmonize it with all international obligations and agreements concluded by the Republic of North Macedonia in this field; as well as to help develop an efficient IP system as a backbone for economic growth. The Strategy's specific objectives are: to improve the industrial property legislative framework; to strengthen IPR enforcement; to develop rights holders' capacity to protect IPR; and to increase public awareness of the benefits from IPR protection.

3.27. The Republic of North Macedonia's legal framework on intellectual property rights (IPR) is quite comprehensive. It includes, principally, the Law on Industrial Property (covering patents, trademarks, industrial designs, appellations of origin, and geographical indications); the Law on Protection of Topographies of Integrated Circuits; the Law on Copyright and Related Rights; the Law on Customs Measures for the Enforcement of Protection of IPRs; and the Law on the Breeder's Rights.

3.28. Trademark protection requires formal registration with the Registry of Trademarks managed by the SOIP. Domestic and foreign individuals and legal entities may register rights, but foreigners must be represented by an authorized representative registered with the SOIP. Registration of foreign trademarks is done either through filling a domestic application with SOIP or an international application through WIPO's Madrid Agreement. According to trademark statistics, there is figures of applications for period 2013-2018:

Year	Domestic	Foreign applications				Total by Madrid Agreement/ Protocol	Total foreign	Total	Granted
		To SOIP ^a	By Madrid Agreement/Protocol						
			New	Subsequent Designations	Cont. of effect				
1	2	3	4	5	6=3+4+5	7=6+2	8=7+1	9	
2013	739	514	2797	560	[0]	3357	3871	5234	840
2014	851	587	2364	666	[0]	3030	3727	4468	840
2015	815	539	2757	431	[0]	3188	4542	5357	614
2016	782	487	2853	468	4028	[7349]	[7836]	[8323]	1112
2017	780	488	2619	432	3923	[6974]	7406	[8186]	1777
2018	843	474	2570	438	4052	7050	7524	8367	1511

3.29. SOIP is engaged in technical cooperation activities notably with the European Patent Office (EPO) and WIPO and several activities were carried out such as search and examination of European patent applications, the implementation of a new domestic patent register, and development of on-line filing of patent applications, which should become operational by mid-2020.

3.30. Copyright in the Republic of North Macedonia is mainly protected by the Law on Copyright and Related Rights, which regulates the rights of authors, artists, performers, phonogram producers, video/film producers, broadcasting organizations, publishers and database developers, as well the functioning of collective management of rights and fees distribution. Computer programmes are protected as a copyright works. Equal protection is granted for domestic and foreign holders of copyright and related rights. The breach of a copyright is subject to administrative, civil and criminal remedies.

3.31. The Law on Customs Measures for the Enforcement of Protection of IPR 2015, allows Right-holders, national or foreign, to be entitled to request the Customs authority to take action against goods suspected of IPR infringement. In the last TPR report, methodology for collecting and processing data and establishing a data system for measuring IPR infringements was developed. The Ministry of Justice is amending the Methodology, as develops a module for collection and publication of the already collected data from institutions that are part of the IPR system.

3.11 Competition Policy

3.32. Competition policy in the Republic of North Macedonia is based on the Law on Protection of Competition (LPC) and the Law on Control of State Aid, both published in 2010. In 2012, several by-laws were adopted as part of efforts to harmonize national legislation with the EU *acquis*. A number of guidelines for the assessment of concentrations, the preparation of notifications, the identification of bid rigging, leniency procedures and other matters were published during the period under review. An important legislative change was the 2014 amendment of the Criminal Code in order to align it with the LPC, thereby allowing for the application of leniency procedures. According to the European Commission, the Republic of North Macedonia is moderately prepared for EU membership in the area of competition policy, as its laws are broadly aligned with EU competition rules and the SAA (Article 69).

3.33. The Commission for the Protection of Competition (CPC), an independent state authority with legal status, is responsible for implementing competition rules. The CPC has exclusive jurisdiction to investigate breaches of the competition law, make final decisions, and approve or prohibit concentrations of undertakings (mergers, joint ventures, acquisition of control).

3.34. During the period 2013-2017, CPC has adopted a total of 202 decisions concerning concentrations, cartels and abuse of dominant position. Total numbers of decisions for concentration is 171; decisions related to cartels (forbidden agreements) are 18; and decisions related to abuse of dominant positions are 13.

3.35. CPC in accordance with the Law on State Aid Control in 2014 has further transposed relevant EU rules in this area. These include: the Regulation on the manner and procedure of notification of state aid, as well as the procedure for monitoring existing state aid; the Regulation on conditions and procedure for granting horizontal aid; the Regulation on establishing conditions and procedure for granting regional state aid; the Regulation on conditions and procedures for granting aid of minor importance (*de minimis*); and the Regulation on establishing conditions and procedure for granting aid for rescue and restructuring of firms in difficulty.

3.36. The Law on State Aid applies to any form of aid granted by state aid-providers in any economic sector, except agriculture and fisheries. Providers of state aid must notify to the CPC their plans to grant new state aid or alter existing state aid, for assessment of law compliance. In 2015, the CPC adopted 25 positive decisions on state aid, most of them supporting foreign investors operating in the special economic zones. The number of decisions in 2016 is 13, and 6 decisions in 2017.

3.37. The CPC has signed MoUs with competition agencies of Serbia, Croatia, Bulgaria, Bosnia and Herzegovina, Turkey, Kosovo and Russia. Domestically, the CPC has signed MoUs with the Ministry of the Interior and several sectoral regulatory agencies (i.e. audio visual and media services; electronic communications; railways; energy and postal services)

3.12 Public Procurement

3.38. The Public Procurement Bureau (PPB), under the Ministry of Finance, is responsible for monitoring the implementation of the Law on Public Procurement (LPP) and for developing the public procurement system. Its responsibilities include normative issues, development of e-procurement technologies, international cooperation and EU integration matters. The Ministry of Economy is the competent authority regarding concessions and public-private partnerships (PPPs).

3.39. The public procurement system continues to be decentralized ever since LPP 2008. The Republic of North Macedonia is committed to follow EU acquis on public procurement and in that sense, adopted a new LPP in 2019 (Official Gazette No. 24/19) that became applicable on 1 April 2019.

3.40. The PPB manages the Electronic System for Public Procurement (ESPP), available online to procuring entities and economic operators. Most activities related to the procurement process are performed through the ESPP, including the publication of contract notices and tender documentation, submission of tenders, public opening and evaluation, decision making, contract award notices, e-auctions, and cancellation of procedures. According to data collected by the Public Procurement Bureau, the number of public contracts awarded increased from 20,645 in 2013 to 27,031 in 2017, having reach a peak of 30,168 in 2016.

3.41. In February 2017, the Republic of North Macedonia submitted its application for accession to the WTO Agreement on Government Procurement (GPA), together with its replies to the Checklist of issues for provision of information relating to accession to the GPA. In February 2018, has submitted its initial market access offer to accede to the revised GPA to the Committee on Public Procurement and the negotiations on its accession to the GPA are on-going.

3.13 Sectoral Policies

3.13.1 Agriculture

3.42. Agriculture remains an important activity for the Republic of North Macedonia's economy. While the share of agriculture (including forestry and fisheries) in total employment has slightly declined in recent years, its share in GDP has remained overall largely and accounted for 11.4% of GDP in 2013 and 18.7% of employment, to GVA share of 10.7% and 9.5% of GDP and employment of 16.6% and 16.2% in 2016 and 2017.

3.43. Agriculture's contribution to the economy is even higher when combined with the food processing industry which accounts for an additional 3 % of GDP (includes: production of food products; production of beverages and production of tobacco products) and 2 to 3% of employment depending of the year.

3.44. The main priorities of agricultural policy are defined by the National Strategy for Agriculture and Rural Development for the period 2014-2020 (NSARD 2014-2020), which objective is "Increasing the competitiveness of the domestic agricultural production and the food industry, development of rural areas and sustainable management of natural resources". This objective is planned to be achieved through the realization of the following priority areas: a) improving technological and market infrastructure in order to increase the range of products with added value, productivity, quality and safety and meeting EU standards; b) strengthening the horizontal and vertical integration of the agro-food sector and development of market contractual relations in the agricultural value-chains; c) access to production factors, agricultural land and its consolidation, access to capital and quality production inputs, and improvement of human potential; d) improving rural infrastructure for sustainability of rural communities and economic activities in rural areas. Ministry of Agriculture for the implementation of NSARD foresees EUR 150 million of annual budgetary transfers for the period 2014-2020, which increased to EUR 160 million for the period 2017-2020.

3.45. In due course 2013-2018 several amendments were made to the main legal framework in the agricultural policy, as are: 1) Law on Agriculture and Rural Development, which regulates the programming, implementation, financing and M&E of the agricultural and rural development policy; 2) Law on Establishment of Agency for Financial Support of Agriculture and Rural Development, as

operational body for implementing the system of state support to agriculture and rural development; 3) Law on Quality of Agricultural Products, which regulates the markets for agricultural products in a way that defines the minimum quality standards, products' classification, quality labelling and information system, the protection of the quality of agricultural and food products with a geographical name and a designation for a guaranteed traditional specialty of cereals and rice, animal feed, fresh fruits and vegetables, eggs and poultry meat, beef, pork, sheep and goat meat, milk and dairy products and bee products; 4) Law on organic agricultural production, which regulates the production, preparation, processing, refinement, storage, transportation, distribution, advertising, sales, marking, and control of products produced by using organic methods of production; and, 5) Law on Wine, refers to protect the interests of winemakers and wine producers and wine consumers, to improve the quality of wine and other wine products in the internal and external markets, production potential of wine grapes, and marketing of wine.

3.46. Total agricultural export EUR million (499.5 in 2013 to 541.2 in 2018) and the total agricultural import reached from EUR million (636.9 in 2013 to 768.3 in 2018). The main agricultural exports from the Republic of North Macedonia in 2017 at the HS two digits level were tobacco (26.1% mostly unmanufactured), preparations of cereals, flour, starch or milk (12.4% of which bread, pastry, cakes, biscuits and other bakers' wares 11.1%), edible vegetables and certain roots and tubers (11.2%) beverages (11.1%) and preparations of vegetables, fruit, nuts or other parts of plants (8.9%). The relative shares of these products in total agricultural exports have all increased as compared to 2010, except for edible vegetables. The main import products in 2017 were meat 14.5% (of which poultry 6.5% and swine 3.6%), miscellaneous edible preparations (9.1%), animal or vegetable fats and oils and their cleavage products (6.8%), and preparations of cereals, flour, starch or milk; pastry cooks' products (6.4%).

3.13.2 Industry

3.47. The manufacturing sector's contribution to GDP has been increasing over the past years from the previous reviewed period, reaching almost 15% by 2017. The manufacturing industry is the most significant industry in terms of employment. The greatest number of workers in the manufacturing industry is employed in: Wearing apparel, Food and beverages, Motor vehicles, trailers and semi-trailers and others. The most progress in employment from the last trade policy review is in the following sectors: a) food and beverages sector (16.6% in 2013 to 19.1% in 2017); b) the motor vehicles, trailers and semi-trailers (3.82% in 2013 to 11.8% in 2017) and c) furniture (3.5% in 2013 to 5.1% in 2017). The largest portion of the manufacturing industry's exports is realized by the following groups of products: machinery and transport equipment (29.5%), chemicals (24%), clothing (9.3) and iron and steel (8.7%) in 2017.

3.48. The increase of total manufacturing within GDP is, therefore, mainly due to the third largest manufacturing sector, that of motor vehicles, trailers and semi-trailers, whose share of total manufacturing value added has grown more than six-fold between 2013 (1.3%) and 2016 (7.1%). To foster private-sector growth and job creation, the government developed an investment-promotion concept to attract FDI in higher-value-added manufacturing. It was particularly successful in the automotive sector, thus the export was driven largely by the automotive and associated industries, such as chemicals, machinery and electronics, plastics, and rubber. FDI in the motor vehicles and electric machinery industries boosted total exports to 55 percent of GDP in 2017.

3.13.3 Energy

3.49. The basic goal of the energy policy of the Republic of North Macedonia is contained in the "Strategy for Energy Development until 2030" and the major strategic objectives are long-term development of individual energy activities to ensure security in the supply of various types of energy; connection of the energy systems of the Republic of North Macedonia to the energy systems of other countries; inclusion of the domestic energy markets in the regional and international energy markets; determination and use of energy resources and facilities of strategic importance for the state; providing the necessary quantities of energy; long-term forecasting of investment needs in production, transmission and distribution capacities of energy needs; potential of renewable energy sources and its utilization in order to increase the share of energy produced from renewable sources in the gross final energy consumption; incentive measures for increasing the energy efficiency; measures to reduce the use of fossil fuels for energy production; conditions for ensuring environmental protection and mitigation of climate change; encouraging the competitiveness of energy markets according to the principles of objectivity, transparency and non-discrimination;

obligations undertaken to ratifying international agreements including an integrated strategy on energy and climate change.

3.50. The Republic of North Macedonia is a party to: the Energy Charter Treaty; the Energy Community; the Agreement of the United Nations Framework Convention on Climate Change, including the Kyoto Protocol, and the Paris Agreement. In addition, the energy policy is geared at transposing the EU energy acquis in terms not only of liberalization but also of energy security, energy efficiency and environmental objectives.

3.51. New Energy Law was adopted in May 2018 (Official Gazette No. 96/18), in which obligations and requirements from the Third Package of energy directives/regulations of the European Union, as signatory state to the Treaty Establishing the Energy Community, are transposed. Energy Regulatory Commission established in 2002 continues to operate as an Energy Regulatory Commission and Water Services of the Republic of North Macedonia within this law.

3.52. In line with the Directive 2009/28/EC on the promotion of the use of energy from renewable sources, which requires the setting of targets as percentage of the gross final energy consumption and indicates that strong energy efficiency measures, the Republic of North Macedonia has adopted the following legal documents: a) Decision on the national mandatory targets for the participation of energy produced from renewable sources in the gross final energy consumption, b) Decision on total installed power of preferential electricity producers which stipulates the total installed power of power plants, for which feed in tariffs for produced and purchased electricity are granted feed in tariffs remain and it will be applied to a preferential producer for production of electricity from the following types of technologies of power plants: - wind power plant, - thermal power plant on biomass, and- thermal power plant on biogas, while the feed in premiums will be granted for photovoltaic power plants for produced and sold electricity and c) Decree on the measures for supporting the production of electricity from renewable energy sources, which stipulates that besides other types of technologies, feed in tariffs for produced and purchased electricity will be applied also for preferential producers from hydroelectric power plants, with no limits in the total installed power. (all documents are published in Official Gazette No. 29/2019).

3.53. Further, to fully complete the legislation in line with Directive 2009/28/EC related to promotion of biofuels, a new Law on biofuels is under preparing, including methodology for determining the biofuels, the obligatory percentage of biofuels, such as establishment of system for verifying biofuels, the price of mixed biofuels and the possibilities for subsidizing production and use.

3.54. The energy efficiency policy is more specifically defined in the "Strategy for Improvement of the Energy Efficiency until 2020. In the process of transposition of the Energy Efficiency Directive 2012/27/EU, the Energy Performance of Buildings Directive 2010/31/EC, and the Regulation 2017/1369 for establishing a framework for indicating energy consumption, a new Law on Energy Efficiency is under preparing by the end of 2019. The Law shall introduce goals and support of the energy efficiency policies, obligation to reconstruct at least 1% of the total area of the buildings, determination of energy saving targets till 2030, and shall envisage an establishment of Energy Efficiency Fund as independent legal entity. A long-term strategy for reconstruction of residential, public and commercial buildings is planned to be developed by 2030, in order to ensure efficient, economically justified reduction of energy consumption by applying energy efficiency measures and at the same time reducing environmental pollution. Energy Agency is responsible to manage, maintain and to ensure efficient Monitoring and Verification Platform (MVP) available online, for implementation of the EE measures.

3.55. In terms of reliable and quality supply, pursuant the strategic documents regarding development of transmission net, Republic of North Macedonia gives emphasis on the interconnection lines in the electricity sector with the neighbouring countries. Republic of North Macedonia has interconnection lines with Bulgaria, Greece and Serbia. Procedure for establishing interconnection line with Albania is ongoing and interconnection line with Kosovo is planned in the near future.

3.13.4 Services

3.13.4.1 Financial services

3.56. The structure in the financial sector is constantly growing and presents 15 banks and 2 saving houses or 17 deposit taking institutions thus the banking assets raised to MKD 472.8 billion, then 16 insurance companies, with total assets of EUR 326 million of which life insurance: 30.14% and non-life: 69.86%; 1 issuance of corporate bonds on the securities market to 3 investment funds, and 4 pension funds.

3.57. From aspect of legislative alignment, further strengthening of the stability in the banking sector refers to last amendment of the Banking Law in 2016 (Official Gazette No.190/16), in compliance with the capital framework Basel 3 and the Basel Core Principles for Effective Banking Supervision and Basel Core Principles for Good Corporate Governance, which mainly refer to introduction of the capital buffers, capacity of banks to adequately managing the risks, and absorption of losses arising in operational business. Several by-laws on methodology for determining capital adequacy; systematically important banks; developing recovery plan for systematically important banks; rate of countercyclical capital buffet for exposures; minimum distributable amount of earnings; credit risk management and good corporate governance rules of banks, were adopted in due course 2016-2019.

3.58. During the period under review, an implementation of regime on anti-money laundering was completed by adopting a new Law on Prevention of Money Laundering and Financing of Terrorism (Official Gazette No. 120/18), as harmonized to the AML regime with the EU Directive 2015/849. Also, new Decision "On the Methodology on Managing the Money Laundering and Financing of Terrorism Risk" (Official Gazette No. 78/18) defining categories, criteria and elements of risk which should enable clear assessment of the level of risk by client/business relation/product or transaction, became applicable as of 1 January 2019.

3.59. The foundation and operation of the investment funds, issuance and sale of shares and stocks, redeem of stocks, promotion of investment funds and operation of a depository bank are regulated by the Law on Investment Funds 2009, several times amended to 2016. Further amendment of the Law on investment funds is preparing by the 2019, due to transposition of UCITS IV package.

3.13.4.2 Transport

3.60. The economic development of the Republic of North Macedonia depends to a large extent on a well-developed transport network. The Government is focused on the development of transport infrastructure, with aim to better connect with the EU markets and access to the nearby sea ports in Greece and Bulgaria. The most important multimodal transport corridors in the Republic of North Macedonia are the Pan-European Corridor X, extending from north to south across the country (from the border with Serbia to the border with Greece) and the Pan-European Corridor VIII, extending from east to west and connecting the port of Durres in Albania with the ports of Burgas and Varna on the Black Sea in Bulgaria. With the construction of Demir Kapija-Smokvica section that ended in April 2018, a highway now runs the entire Corridor X, which is 172 km long. Regarding railways, Corridor X is expected to be fully completed by the end of 2019. Only 37% of corridor VIII has been so far upgraded to highway level and works continue westwards. The rail connection with the Bulgarian network rail Corridor VIII (length 89 km) is expected to be completed and become fully operational by the end of 2030.

3.61. Long-term transport policy of the Republic of North Macedonia is defined in the National Transport Strategy 2018-2030, adopted in December 2018. The Strategy aims mainly to improve the economic efficiency, safety and accessibility of transport, to handle its environmental impact management, and to ensure the integration of transport with other sectoral policies. Its specific objectives are to address the weaknesses of the transport sector at regional and national levels.

3.62. The Treaty establishing the Transport Community (TCT) is ratified in December 2017. The contracting parties are: the EU from one side and Western Balkan countries on the other side. The aim of this Treaty is to create a Transport Community in the field of road, rail, inland waterway and maritime transport as well to develop transport network. The Transport Community shall be based on the progressive integration of transport markets on the basis of the relevant acquis, including the

areas of technical standards, interoperability, safety, security, traffic management, social policy, public procurement and environment, for all modes of transport excluding air transport. The Secretariat of the Transport Community is expected to be fully operational by the end of 2019.

3.63. The main regulations governing the sector are Law on Road Transport, Law on Contracts for transport 2013, in which sets of EU directives and regulations are transposed, then Law on railway system, as implementing Regulation 1370/2007, Law on Contractual and Real Right Relations in respect of Aviation Transport whereas to allow the interplay of the MFN exemption covering the EU CRS legislation, transposed Regulation No. 2299/89.

3.64. The Republic of North Macedonia has concluded 33 bilateral agreements on international road transport of passengers and goods with the following countries: Albania, Austria, Bulgaria, Belgium, Belarus, Bosnia and Herzegovina, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iran, Italy, Latvia, Luxemburg, Moldova, Montenegro, Netherlands, Norway, Poland, Russian Federation, Serbia, Slovenia, Turkey, Ukraine, Romania, Switzerland, Spain, Slovak Republic and the United Kingdom.

3.13.4.3 Electronic communications

3.65. The telecommunication policy of the Republic of North Macedonia is geared at the transposition of the EU acquis stipulated in 2009 EU's regulatory framework for communications. The acquis was transposed in the Law on electronic communication (Official Gazette Nos. 39/2014, 188/2014, 44/2015, 193/2015, 11/2018 and 21/2018). GATS commitments undertaken for telecommunications by the Republic of North Macedonia during its accession process to the WTO reflect largely to that of the European Union.

3.66. The Agency for Electronic Communications (AEC) was established in 2005 and continues to be an independent national regulatory body in the electronic communications markets. As a Regulator issued a regulation for access to public electronic mobile networks (Official Gazette No. 94/2016), by setting the conditions of operations of Mobile Virtual Network Operators (MVNOs) in the country. The National Plan for frequency allocations from 2016 provides all frequencies are technology and service neutral, so every standardised technology by ETSI can be used. AEC is in process of assignment through the auction of one license for 2x15MHz in the 2100 frequency band.

3.67. Two main operators have started in 2013/ 2014 to deploy 4G/LTE networks. National Broadband Operational Plan is already prepared by the Ministry of Information Society and Administration and now is on public consultation. One chapter of this Plan is dealing with 5G. According to that Plan, frequencies in the band 700 MHz will be available after 30 June 2020. Frequencies in 3,4-3,8 GHz are already available.

3.68. The telecommunications sector in the Republic of North Macedonia is largely liberalized and offers a dynamic competitive landscape although prices remain relatively high by international standards. In that respect, regarding roaming fees, a multilateral agreement among Western Balkans countries: Republic of North Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo on full abolishing roaming fees was signed in April 2019.

3.13.4.4 Tourism

3.69. The Republic of North Macedonia is a small country, but it abounds in natural beauties and rarities. Attractive lakes, mountains and spas are the distinctive features of the country. The main tourist resorts are located around the three lakes, which are the best tourist attractions. Natural and spiritual beauties can be found in the most popular touristic destination Ohrid (city of UNESCO), situated on the shore of the lake, as a town-museum and a cultural treasury-often referred to as the "Balkan Jerusalem". The three national parks offer good conditions for pleasant recreation; the cultural heritage is testified by valuable archaeological sites.

3.70. Main economic indicators in tourism sector in period 2013-2018, accounts to:

	2013	2014	2015	2016	2017	2018
Share of tourism in GDP	1.4%	1.3%	1.3%	1.5%	1.5%	1.6%
Number of tourists, of which	701,794	735,650	816,067	856,843	998,841	1,126,935
- international	399,680	424,314	485,530	510,484	630,594	707,345
- domestic	302,114	310,336	330,537	346,359	368,247	419,590
Gross foreign exchanges inflow (million USD)	266.6	294.7	266.8	284.7	331	352
Net foreign exchanges revenues (million USD)	136	145	107.46	104.8	119.75	112.80

3.71. The Ministry of Economy, through its Tourism Department, is in charge of defining policies in the tourism sector. It is assisted by the Agency for Promotion and Support of Tourism for attracting tourists to the country, mostly through the policy of marketing and promotion and making new tourism product. In that respect, a new National Tourism Development Strategy 2018-2023 is adopted at the end of 2018, which envisages at developing tourism beyond the two main destinations of Skopje and Lake Ohrid, in particular mountain resorts in the western part of the country, hot waters springs/health tourism, and wine growing areas. The government provides incentive programmes to encourage tourism development through subsidizing tour operators and travel agencies offering complete tourism packages of recognizable European and others destination for tourism, based on the cultural and natural heritage as products and services sensible for the environment and sustainable with high quality that are on level of the best international experiences. The Programme for Promotion of Tourism for 2019 is mainly focused on campaigns of eco action to the tourism centres, touristic signalization for cultural sites and localities, studies for wine and spa tourism as touristic attraction, support of rural households for tourism purposes, projects for innovation and digitalization in tourism, mobile application, Visit Macedonia, etc.

4 TRADE AGREEMENTS AND ARRANGEMENTS

4.1 WTO

4.1. Republic of North Macedonia has consistently pursued to have an open and transparent trade regime fully compatible with WTO rules and disciplines. The country grants at least MFN treatment to all its trading partners. The trade policies of the Republic of North Macedonia have been reviewed once in 2013. Concerning notification requirements, the Republic of North Macedonia has regularly notified the WTO of the trade measures it has adopted since its previous review in 2013.

4.2. The Republic of North Macedonia has ratified the Protocol concerning the Trade Facilitation Agreement in October 2015 and is a signatory to the Agreement on Trade in Civil Aircraft. Also, has been involved in DDA negotiations, particularly in agricultural, NAMA and services negotiations. At the Eleventh WTO Ministerial Conference in Buenos Aires (December 2017), co-sponsored the initiatives to continue work on e-commerce and on domestic regulation on services, as well as to create an informal Working Group on Micro, Small and Medium enterprises (MSMEs) at the WTO. In 2018 has lunched negotiation for the accession to GPA.

4.3. Regarding Trade Facilitation Agreement (TFA), was committed to notify almost all the TFA provisions in due course 2015-2018 to Category A and B.

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

4.2 Republic of North Macedonia and the EU

4.5. The Stabilization and Association Agreement (SAA) signed between the Republic of North Macedonia and the EU is in force from April 2004 and remains the main framework for the bilateral relationship. The SAA aims to create a close, long term association between the EU and the Republic of North Macedonia, and constitutes the legal instrument for the country's alignment to the EU acquis and its progressive integration into the EU market. The process of legal harmonization takes place through a national working programme for the adoption of the *acquis communautaire*, (Article 68) in SAA, and the EU Commission progress reports.

4.6. The SAA provided two-way trade between the EU and the Republic of North Macedonia, thus the trade liberalization was completed over a maximum period of ten years. The pace of liberalization was asymmetric, with the EU liberalizing at a faster rate. All EU imports of industrial and agricultural products (except for baby beef, fish and wine) originating in the Republic of North Macedonia were liberalized from the outset. Imports into the Republic of North Macedonia of industrial products originating in the EU were liberalized over a ten-year period, whereas agricultural goods, processed agricultural products and fishery products were subject to combined modules of further liberalization. Some goods are subject to tariff-rate quotas (TRQs), some are subject to reduction of custom duty to certain level without quotas determined and some are reduction of custom duties only to the quoted products. The Republic of North Macedonia excluded some tariff lines from tariff concessions (such as some fruits and vegetables and some processed agricultural products), and the EU excluded wine, which is the object of a separate agreement, as part of SAA taking into account further EU enlargements (2004, 2007 and 2013).

4.7. The most important trading partner of the Republic of North Macedonia is the EU, participating with 82.0% in the total exports and 62.3% in the total import from EU in 2018.

4.2.1 Free trade agreements

4.8. The Republic of North Macedonia is a party to five free trade agreements (FTAs). It has concluded agreements with the member states of the EU, the European Free Trade Association (EFTA) and the Central European Free Trade Agreement (CEFTA), and two bilateral agreements with Turkey and Ukraine, in line with Article XXIV of GATT. These agreements provide the overall framework for liberalization of trading with goods, regional cooperation and deeper integration into European economic and political processes. All agreements have been notified to the WTO.

4.9. The foreign trade of the Republic of North Macedonia is mostly carried out within FTAs. According to the trade figures for 2018, North Macedonian's export reaches to 95.2% and 77% of its imports under the above-mentioned FTAs. These agreements allow the Republic of North Macedonia to be included in the mechanism of diagonal cumulation of origin. In that respect, Protocols for rules of origins as annexes to the Free Trade Agreements of the Republic of North Macedonia with EU, CEFTA Parties and the Republic of Turkey are harmonized in due course 2016-2018, in line with the rules of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin. This Regional Convention is ratified by the Republic of North Macedonia in 2012.

4.2.2 Regional integration

4.10. Republic of North Macedonia is very committed to the regional cooperation, especially with CEFTA Parties within concluded CEFTA 2006 Agreement. The Republic of North Macedonia established free trade area by applying free trade in industrial and agricultural products to all CEFTA Parties, as fully liberalized since 2015.

4.11. Further progress on CEFTA implementation has been made in the conclusion of an additional Protocol on Trade Facilitation in force in 2018 and an additional Protocol for the gradual liberalization of trade in services, which should be adopted by the CEFTA Parties in June 2019. Both protocols are integral part to the CEFTA 2006 Agreement.
