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3. TRADE, INDUSTRY, AND INVESTMENT POLICY

3.1. Planned and implemented activities of the Government of the Republic of Macedonia in the reporting period

In the analyzed period, the Government of the Republic of Macedonia prepared and the Assembly of the Republic of Macedonia adopted many laws and amendments to existing laws in order to improve and harmonize these laws with the European legislation, as a prerequisite for the expected EU membership of the country. In the analyzed period, several measures were adopted for the realization of the goals set forth in the Program of the Government of the Republic of Macedonia for the period 2008-2012 in the fields of trade, industry, and investment.

3.1.1. Trade

Planned activities in the field of trade, mostly, were directed at improvement of the business climate for doing business in the Republic of Macedonia.

To that end, as basis for future proceeding in the progressive direction in trade and in other analyzed economic activities, authorities in the Republic of Macedonia adopted the Law on amending the law on one-stop shop system and on keeping trade register and register of other legal persons. At the same time, this Law provided also harmonization of the domestic regulations with the corresponding EU Directive on electronic application of documents in registers by the companies. By means of this so-called one-stop shop system, companies are able to fulfill their legal obligations on revealing company data to the general public, which must be made in a manner that is consistent with the EU law.

After completion of the first phase of the introduction of the one-stop shop system which implies its establishment, transfer of data and information on companies and their registration from courts to the newly created Central Register of Macedonia, further activities will concentrate on the process of implementation of the second phase of the one-stop shop system; this will include introduction of complete electronic solutions (software) for data entry in the following registers:

- Electronic register for on-line registration of companies,
- Electronic register for leasing,
- Electronic register for mortgage,
- Electronic register for bankruptcy,
- Integration of the Health Insurance Fund, the Pension and Disability Insurance Fund, and the Employment Agency into the one-stop shop system.

The second phase of the development of the one-stop shop system will be conducted with assistance from the project of the WB for improvement of the business environment BERIS. To this end, additional € 1.5 million have been allocated for establishment of a hardware system for preservation of the databases of the Central register of Macedonia.

Further improving the conditions for trading involves shortening the procedure for company registration (three days at the most) and implementation of a project for

development of an information system for filing and receiving data in electronic form (on-line registration of companies).

In order to simplify the foreign trade, as mentioned previously, grouping of the border-crossing customs inspections was made, and the procedure for crossing the border at the border crossing points was made faster.

Similar function and goal is seen in the adoption of the Law on amending the law on customs tariffs; this provided equalization, i.e., reduction of the present customs tariff groups of similar products. The reduction of the number of tariff groups: 1) simplifies per se the customs clearance procedure; 2) brings shorter time required for conducting the customs inspections; 3) simplifies the filling in of blank forms of documents for customs clearance; and 4) reduces the room for corruption that comes from the possibility that certain types of products are placed in a category of products with lower customs tariffs. Harmonization of the domestic laws and so harmonization of the domestic business conditions with those in EU, was also made by adoption of many other laws and regulations. Thus, the Ministry of Economy is actively working on the drafting of a law that would allow registration of a so-called European Company ('Societas Europea') and on a law to change the current Law on trade companies in order to allow cross-border merger of trade companies pursuant to the EU regulations on the Societas Europea and on cross-border company merger; this in turn will enable full law harmonization of the Macedonian company law with that of the EU. The deadline to finish this harmonization would be by the end of 2009. Therefore, since the Republic of Macedonia has company registration procedure faster than that found in most of the EU member states and when the Republic of Macedonia will manage to fully establish the EU business legal framework, genuine integration between the domestic business and that of the EU will be enabled operationally as equal and competitive partners.

Amendments to the Law on trade were made twice in the analyzed period, by which: 1) daily period of restriction was imposed on selling alcohol drinks (in summer – until 21:00 hrs; and in winter – until 19:00 hrs); and, 2) correction was made of the Law on trade in context of setting the working time of gasoline stations that operate without service personnel. Namely, the former provisions of this Law set certain limitations as to the number of employees, i.e., it was provided that the owner of the gasoline stations had to hire at least one employee for every 8 hours of working time per gasoline station; this however prevented full operation of gasoline stations which will sell in the future gasoline without service personnel. The amendments were made in order to create conditions for the construction of gasoline stations which will sell gasoline round the clock, i.e., 24 hours a day, on basis of self-service and payment by cash or payment cards. The Government of the Republic of Macedonia, assessing that there would be no better business climate in the country without higher effectiveness and efficiency of the bankruptcy proceedings, made several law amendments and other interventions in this context. Thus, in 2009 the Bankruptcy Department of the Ministry of Economy started the realization of the following activities:

- Capacity building of the Ministry of Economy in the field called 'Exit from the Market' (bankruptcy or liquidation of a company). In order to have more efficient implementation of this goal, international expert consultant was hired to be included in the capacity building process of the Ministry of Economy relating to bankruptcy proceedings;

- Adoption was made of the Rulebook on converting into cash of the assets of a company in liquidation which is applied in the usual liquidation of companies, pursuant to the Law on trade companies;

- In 2008, curriculum was adopted for course and training of candidates for bankruptcy trustee in the spirit of the newly created rules on execution of bankruptcy procedure;

- For the realization of the same goal, in September 2009 organized attendance of compulsory course for professional specialization of the already appointed bankruptcy trustees was conducted, together with a final test.

The Government makes efforts, by means of the aforementioned measures and activities, to prevent the bankruptcy procedure become an agony of many years and looting of the companies, as it was the case with many companies in the Republic of Macedonia in the last 15 years; intentions are to have their restarting by means of reorganization and finding strategic investor. In order to restart most of the bankrupt companies, a Committee has been established for faster conclusion and settlement of the bankruptcy procedures in such companies. This Committee involves law and economic experts. The task of the said Committee is to work out faster and more efficient conclusion and settlement of individual bankruptcy procedures that have lasted for many years; this in turn should enable return of workers to their former jobs and places of work. Finally, for the realization of the set goal, implementation of continuing education for bankruptcy judges and bankruptcy trustees was started.

In the mean time, a Rulebook on the form and contents of claims of the creditors in the bankruptcy procedure was drafted. This Rulebook was sent to the Central Register for further consideration and harmonization. After this consideration, the Rulebook will be made operational.

As part of the portal of the Ministry of Economy, there is website which publishes final court bankruptcy judgments, announces future sales and disposals of assets as part of the bankruptcy procedures; it also gives rather detailed information on the assets and property to be sold. This site has been operational since 2008 and it publishes all final court bankruptcy decisions; it also publishes free of charge sales notification of assets and property as part of the bankruptcy procedures. In addition to notifications for sale of assets and property in bankruptcy procedures, this site also announces free of charge various advertisements for the sale of assets and property in liquidation procedures, if the liquidator in question delivers a corresponding advertisement to be published. Thus, interested buyers will be able on one place to have insight of all assets and properties which have been placed under bankruptcy procedure; this in turn should contribute to reaching higher selling price for such assets and properties and improvement of the financial situation of the bankrupt company.

A register of claims has been established as part of the Central Register of Macedonia. Its task and goal is to provide protection of the creditors from possible endangering of their claims during the bankruptcy procedures. Thus, an opportunity has been created to register the claims of the creditors of the moment of the creation of such claims. Creditors who will register their claims will be able to collect their claims in easier and faster manner from the bankruptcy estate of the debtor.

For improvement of the business climate in the country, the realization of the project 'Regulatory Guillotine' was extended. That project actually grew into a continuous process. In the analyzed period, attention was given to:

- Decreasing the fee paid by companies and citizens for obtaining documents, licenses, permits, approvals, etc,
- Full implementation of the principle 'silence is approval' in all laws when it is possible,
- Reduction of the number of documents and of prescribed deadlines for obtaining them,
- Reduction of red tape and discretionary power in the regulations;
- When drafting new laws and regulations, it will be compulsory to seek the opinion of the chambers of commerce in the country.

In order to have efficient implementation of the started Regulatory Guillotine which intends to reduce or eliminate barriers for doing business inherited from old laws and administrative procedures, amendments were made to 36 laws, 349 bylaws were revoked, and 14 bylaws were amended. Since January 2009, there has been realization of the principle of RIA.¹ This means that for all laws, except for those adopted by summary procedure, it is obligatory to make a previous impact assessment in context of their possible restriction on businesses. The RIA process enables even in the initial stage of drafting laws to make a detailed assessment of the possible economic and social impact, as well as an assessment if such proposed laws will enable reaching the set goals and solution of problems by their application.

3.1.2. Industry

One of the strategic priorities of the Government of the Republic of Macedonia is to increase the quality and competitiveness of the domestic industry, based on knowledge, innovations, and research. By a series of measures and activities, it is intended to stimulate the production of goods and services with higher added value.

In order to make harmonization with the EU Guidelines on granting state assistance for the realization of the desired goal, the Law on stimulating and assisting the technological development was adopted. Definition was made of the status of user of a zone; defining was also made of the moment when the user of the zone starts to use the taxation and customs exemptions and facilitations, as well as the exemption from paying the personal income tax even up to 100% for the next ten years.

Since it has become very clear that lack of energy could be the major obstacle for the future development of the industry in the Republic of Macedonia, the Republic of Macedonia introduced higher level of liberalization of the electric power market by adopting the Law on amending the law on energy. At the same time, on basis of a contract between the Ministry of Economy and MANU (Macedonian Academy of Sciences and Arts), MANU prepared a Strategy for development of energy in the Republic of Macedonia. This document establishes the long-term goals of the development of certain energy-producing activities, in order to get a long-term security in supplying the country with different forms of energy.

Taking in consideration the great importance of the textile and steel industry for the Macedonian economy from different aspects (volume of industrial production, export, employment), the Government of the Republic of Macedonia drafted the previously mentioned strategies for the revitalization of the textile and steel industries of the Republic of Macedonia.

¹ Regulatory Impact Assessment.

Finally, in order to follow and implement the procedures and requests of NATO in the field of industrial planning (industrial production and supply), there has been introduction of a permanent activity of a representative from the Ministry of Economy in the work of NATO's Senior Civil Emergency Planning Committee.

3.1.3. Investment

Drawing FDI and increasing domestic investment have been defined as two key goals in the Program of the Government of the Republic of Macedonia for the period 2008-2012. For their realization, improvement of the business climate in the country has been initiated, which was in detail considered in the previous chapter and at the beginning of this chapter. Furthermore, the Government of the Republic of Macedonia had originally planned to start the realization of several important investment projects to be financed from the central state budget and by foreign loans and donations, such as: the GEF Project on sustainable energy, whose aim is to stimulate investment for increasing the energy efficiency and greater use of renewable energy sources by eliminating or decreasing the institutional and financial barriers; Gasification of the Republic of Macedonia; offering under concession the hydroelectric power stations 'Cebren' and 'Galiste'. However, most of the planned capital investment in the country, in the analyzed period, were not realized, due to increasing problems in the state budget caused by the recession in the country as well as by the refraining of potential foreign investors to make more intensive investment in the Republic of Macedonia during the peak momentum of the global economic crisis.

Generally speaking, one can conclude that, in the analyzed period, investment (domestic and foreign) did not come close to the desired level and pace as it was planned. The major reason for this lies in the already mentioned current economic crisis, which, in the analyzed period, had intensive impact also on the real sector in the Republic of Macedonia.

3.2. What remains to be implemented (not yet implemented or not yet finished) in the analyzed period

It is evident that most of the activities planned in the Program of the Government of the Republic of Macedonia for the period 2008-2012 are being intensively implemented. Still, some of them have not been realized. This is the case with the not fully harmonized provisions of the Law on technological-industrial development zones with the European laws, and, the still unchanged provisions of the Law on trade companies that refer to issuing approval for the transactions of the interested parties and the cross-border mergers. Therefore, it remains for these activities to be completed in the forthcoming period

3.3. Evaluation of potential risks from (non)implementation or from (non)quality implementation of activities

The worldwide financial crisis has made huge impact on the global, and, so on the Macedonian economy as well. This crisis is still the greatest risk concerning the

realization of the program activities and the projected goals of the Government of the Republic of Macedonia in the period to come. When the Macedonian economy gets out of the recession phase, it will be able to get rid in the near future of the restraints put by the deflation; what will be the speed and strength by which the strongest foreign economic partners of Macedonia will be able to leave the recession phase and get moving on the prosperous path of their development; when foreign investors will be encouraged to invest more intensively in other countries, and even in the Republic of Macedonia; what will be then the prices of energy-producing materials on the global markets – are questions that at the same time are also objective impediments and risks for the realization of the activities in such fields as trade, industry and investment in the Republic of Macedonia.

3.4. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations

Generally speaking, the Republic of Macedonia has managed to withstand the impact of the global economic crisis as result, inter alia, of the anti-crisis measures undertaken by the Government of the Republic of Macedonia. Such general assessment for the reporting period fully coincides with the assessment made by the WB project 'Doing Business' (mentioned in the previous chapter) and the evaluations of the European Commission (EC) of things completed by the Republic of Macedonia in the section of Trade, Industrial, and Investment Policy of the Republic of Macedonia in the reporting period. These are positive signals for the future development of events in the analyzed fields of the Macedonian economy;

However, great risk in the implementation of the projected plans of the Government of the Republic of Macedonia is represented by the actual economic crisis with all its manifestations and effects on the economy. As it was previously said, the Government of the Republic of Macedonia adopted in the analyzed period three packages of measures which should have mitigated the impact of the recession on the domestic economy. However, it was shown that these measures, per se, are not sufficient to help mostly the industrial facilities, and especially to the exporting companies, since industry has been the sector hardest hit by the economic crisis in the recent period having in mind that the industry has many weaknesses and problems of structural nature deposited from earlier periods. Therefore, in all analyzed period, the volume of the industrial production has continuously been marked by negative percentage growth. In the first nine months of 2009, the volume of the industrial production was smaller for 12.4% than the one made in the same period for 2008. The negative tendencies in the industry caused reduction of the number of employed workers in the period of January-September 2009 for 6.3% compared to the same 2008 period.

The economic crisis has struck most of the companies (small, medium, and large) that operate in the field of trade and industry. This imposes the need to undertake energetic measures in the period to come to improve their liquidity. This can be most efficiently achieved by: engaging funds from the European Investment Bank in the amount of € 100 million, strengthening the role of the Macedonian Bank for Development Promotion by starting direct financing of the companies with its available capital, refraining of the Government of the Republic of Macedonia from further, more intensive cash collecting

by selling government bonds thus leaving greater room for offering credit lines to companies, certain relaxing of the monetary policy leading to the fall of interest rates and all this will have a beneficial impact on trade, industry, and investment in the country; this in turn will pave the way for the national economy to gradually come out of the recession phase, etc.

By means of integrated approach of programs and policies, the Government of the Republic of Macedonia should stimulate and support the free market, as well as raising the level of competitiveness of the products, companies and the economy on the whole, and, the internationalization thereof.

Although communication between the Government and the business sector has been improved, this communications is still at low level since the business sector is not sufficiently involved in providing opinion in the process of the adoption of strategic documents for the development of the national economy; this implies that changes are needed in such communication in the future. In addition, there is need for greater cooperation and involvement of the civil society when the Government and the business sector give opinions, analysis, and expert assessments.