The wiiw Balkan Observatory

Working Papers | 053 | June 2004

Vanco Uzunov

Protective Structures in Macedonia

The wiiw Balkan Observatory

www.balkan-observatory.net

About

Shortly after the end of the Kosovo war, the last of the Yugoslav dissolution wars, the Balkan Reconstruction Observatory was set up jointly by the Hellenic Observatory, the Centre for the Study of Global Governance, both institutes at the London School of Economics (LSE), and the Vienna Institute for International Economic Studies (wiiw). A brainstorming meeting on Reconstruction and Regional Co-operation in the Balkans was held in Vouliagmeni on 8-10 July 1999, covering the issues of security, democratisation, economic reconstruction and the role of civil society. It was attended by academics and policy makers from all the countries in the region, from a number of EU countries, from the European Commission, the USA and Russia. Based on ideas and discussions generated at this meeting, a policy paper on Balkan Reconstruction and European Integration was the product of a collaborative effort by the two LSE institutes and the wiiw. The paper was presented at a follow-up meeting on Reconstruction and Integration in Southeast Europe in Vienna on 12-13 November 1999, which focused on the economic aspects of the process of reconstruction in the Balkans. It is this policy paper that became the very first Working Paper of the wiiw Balkan Observatory Working Papers series. The Working Papers are published online at www.balkan-observatory.net, the internet portal of the wiiw Balkan Observatory. It is a portal for research and communication in relation to economic developments in Southeast Europe maintained by the wiiw since 1999. Since 2000 it also serves as a forum for the Global Development Network Southeast Europe (GDN-SEE) project, which is based on an initiative by The World Bank with financial support from the Austrian Ministry of Finance and the Oesterreichische Nationalbank. The purpose of the GDN-SEE project is the creation of research networks throughout Southeast Europe in order to enhance the economic research capacity in Southeast Europe, to build new research capacities by mobilising young researchers, to promote knowledge transfer into the region, to facilitate networking between researchers within the region, and to assist in securing knowledge transfer from researchers to policy makers. The wiiw Balkan Observatory Working Papers series is one way to achieve these objectives.

The wiiw Balkan Observatory

Measuring Costs of Protection

This study has been developed in the framework of the Jubiläumsfondsprojekt Nr. 9957: Measuring the Costs of Protection in the Southeast European Countries.

The objective of the project was to analyse quantitatively the costs of current protection in the Southeast European region or, to put it the other way around, to assess the potential benefits of liberalisation in the Balkans. In this way, the study was designed to be able to estimate the intra-regional gains and losses from breaking up fragmented structures and to show the policy implications that arise from this for each of the Balkan countries and the EU in the light of bilateral free trade agreements.

The programme was financed by the Jubiläumsfonds der Oesterreichischen Nationalbank.

For additional information see www.balkan-observatory.net, www.wiiw.ac.at and www.oenb.at

Vanco Uzunov

Trade Regime and Non-tariff Barriers on Imports in Macedonia

Introduction

This paper is part of the Project "Measuring the Costs of Protection in the SEECs". It deals with the issues of the trade regime of Macedonia in general, and the non-tariff barriers (NTBs) on imports in Macedonia in particular. The paper corresponds to the Terms of Reference of the Project compiled by the Vienna Institute for International Economic Studies (WIIW).

As stipulated by the Project's ToR, data on tariffs has been compiled for 2002. Yet in Macedonia, as well as in the other SEEC countries, huge changes in the trade regime, NTBs on imports and trade policies have occurred since. Hence, the paper takes in consideration the most recent situation (beginning of 2004), with slight overview of previous practices. Regarding the sources of information for the analysis, beside official ones, part of the information on NTBs in this paper is gathered through field research (survey) and interviews with professionals in the field (businessmen and civil servants).

The paper is organized as follows: part one is a short presentation of Macedonian foreign trade regime which constitutes the overall legal framework for foreign trade; part two is an analysis of the NTBs on imports in Macedonia; part three is a short presentation of specific NTBs in certain industries; an dpart four deals in shortly with the implications for the public policy.

1 Foreign trade regime and policy of Macedonia

Starting from the beginning of the transition in 1991 Macedonia has permanently implemented policy of external economic liberalization. Besides creating favourable conditions for the expansion of foreign trade, since Macedonia is a very small economy in general, foreign trade liberalization is also used as policy instrument for increasing competition on domestic market. Trade liberalization in Macedonia has also been implemented as result of various kinds of "positive pressures" from international institutions (WTO, WB, IMF). The policy of foreign trade liberalization in Macedonia has included both tariff and non-tariff protection, although the results in liberalization of the tariff protection have been superior to the elimination of NTBs, especially until recently when, after a rather extended period of negotiations and preparations, in April 2003 Macedonia became the 145th member state of the World Trade Organization (WTO).

Policy of liberalization of the Macedonian foreign trade was implemented respecting WTO principles. This resulted in acceptance of the harmonized tariff system (HS) and reduction (lowering or elimination) of tariff rates. Quantitative import restrictions have also been eliminated, the most recent one, as of January 1st 2004, being the "LB8" scheme of licensing (by far the most blatant NTB). The reform of Macedonian foreign trade has made the entire system rather simple and plain without many peculiar or tailor-made barriers to trade and less administrative red tape. According to the Law on Foreign Trade and other legal acts, all goods and services imported in Macedonia are classified into two categories: liberal imports and imports subject to licence. The first (liberal imports) category, in terms of number of entries on the 10-digit HS level, comprises over 90 percent of all entries, while the second one (imports subject to license) includes only small number of products - medicines and drugs, armaments and ammunition, products which are harmful to people or the environment and so on – for which import licenses are required, issued by an authorized administrative authority (more detailed list of those products is in subheading 2).

The most important remaining obligations for liberalization of the foreign trade that have been undertaken by Macedonia with the WTO membership are: by the end of 2005 elimination of the "promotion fee" of 0.1 percent which is levied on all imports and is used as revenue for export promotion; additional decreasing of the tariff rates to an average of 8 percent by the end of a transition period, which varies from product to product, but can not be longer than 2012 for the "sensitive" products. In other words, as it was stated by an interviewed high ranking civil servant in the field, after WTO membership most of the officially (legally) imposed NTBs are eliminated; *the remaining obstacles to foreign trade are more due to malpractice and improper implementation of legal rules and procedures*, which emerges from the remaining low capability level of the administration.

Signing free trade agreements (FTAs), mostly bilateral but also multilateral, has also been an instrument of foreign trade policy of Macedonia in last decade. As of January 2004 Macedonia is signatory of 12 FTAs - 10 bilateral, 6 of which with the SEE (Stability Pact) Countries, plus Slovenia, Ukraine, Turkey and Moldova, and 2 multilateral: with the EFTA countries and the Stabilization and Association Agreement (SAA) with EU. Macedonia is also signatory of a Memorandum of Understanding on Trade Liberalization and Facilitation with the SEE countries. However, since Slovenia, as well as a part of other former EFTA countries, became a fully-fledged member of the EU as of May 1 2004, the propositions of the trade relations under the SAA are the "new" framework for the trade relations between Macedonia and the group of new EU member states.

The Stabilization and Association Agreement is a huge step towards gradual approximation of Macedonian trade regime to EU standards. The Agreement poses asymmetrical relations of the signatories in relation to foreign trade - most Macedonian goods enjoy access to the markets of EU member states free of tariffs or quotas, while

imports from EU member states in the Republic of Macedonia remain under a specified tariff protection scheme. The course of their elimination is underway, scheduled to be carried out gradually in a period of five to eight years for different kinds of goods.

Under each FTA and the SAA the import of certain goods in Macedonia from partner countries are subject to quotas with preferential treatment – zero or reduced tariff rates. The allocation of the quotas, all until 2003, used to be a rather blatant NTB on imports in Macedonia, since the allocation, although performed under formal procedure, used to be almost an exclusive right of the Government (in fact the Minister of Economy). Practices of favouritism, selective and discriminating treatment of different importers were regular, debated even officially. However, as of 2003, the allocation of quotas to importers in Macedonia is done based on the first come – first served principle. Quantities of goods within each quota are allocated annually but are distributed to equal quarterly shares to allow even distribution during the entire year and are publicized. In practice, as was indicated through the survey for this research, the allocations of quotas are performed on fair basis: requirements for import of goods within a quota are treated without favouritism, shares are allocated on a daily basis and, in cases when a quota gets exhausted, all requirements within the last day get fractions proportional to their requirement in the total requirements on that day.

2 Non-tariff barriers on imports in Macedonia

In the literature a distinction of NTBs is made, according to which the they are separated into: (a) *barriers for economic reasons*, which generally include quotas and other quantitative restrictions justified and imposed as an industrial policy tool used either to channel resources into sectors that are viewed as important for country's future economic growth, either with (the old) "infant industry" argument, or as avoiding disturbances on domestic markets; and (b) *barriers for non-economic reasons*, used as an instrument to implement a variety of social regulations aimed at protecting health, safety, quality, the environment, security, intellectual property rights and so on. According to the a paper [Analysis of Non-Tariff Measures: The Case of Non-Automatic Import Licensing. TD/TC/WP(2002)39FINAL, OECD, Dec. 04, 2002] most of the countries in the world starting from the mid-80s have reformed their foreign trade systems through vast elimination of barriers for economic reasons (only 14 out of 78 countries analyzed in the OECD study still use some kind of licensing for economic reasons), while the contrary is true for the barriers for non-economic reasons (only 3 out of 78 countries analyzed in the OECD study do not use licensing for non-economic reasons).

Republic of Macedonia is no exception to that pattern. Most of the previously existing officially (legally) imposed NTBs in Macedonia have been eliminated, while the remaining obstacles emerge as malpractice and improper implementation of legal rules and

procedures. But, this is true for the barriers for economic reasons, whereas different barriers for non-economic reasons are used in Macedonia. Those barriers on imports are the subject of the analysis under this heading.

NTBs, although common, develop into different kinds, so different analyses make different classifications of NTBs. For the analysis of the NTBs in Macedonia in this paper a rather standard classification of NTBs is used. The different NTB categories considered are:

- Licenses
- Technical attestations
- Rules of origin
- Inspections, veterinary and phytosanitary controls
- Customs rules and procedures
- Customs taxes or charges
- State subsidies
- Transport regulations and costs
- Local market regulations
- Competition-related restrictions for market access
- Operations within free-trade zones
- Public procurement regulations and practices
- Restrictions on mobility of business people or labour

1. *Licenses* are required for importing certain kinds of goods for sale on the domestic market in Macedonia. They are issued by authorized administrative authorities. The different types of goods for which licenses are required are categorized as follows:

- for import of goods used in veterinary purposes, protection of plants, as plant seeds and for some other (specific) agricultural products a license which is issued by the Ministry of Agriculture or Ministry of Health is required. Those goods are classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 0601 & 0602 (0112); 0604 (0200); 0701, 0703 & 0709 (0112); 0712 (1513); 0713 (0111); 1001, 1002, 1003, 1004, 1005, 1006, 1007 & 1008 (0111); 1201, 1202, 1204, 1205, 1206, 1207 & 1209 (0111); 1301 & 1302 (0200); 2204 (1552); 2208 (1551); 2503 (2411); 2511 (1421); 2707 (2411), 2801-2840 & 2902-2938 (2411); 3001-3006 (2423); 3102 (2412); 3208 (2422); 3503, 3701 & 3822 (2429); 3808 (2421); 3910 (2413); 5608 (1723).
- import of drugs, pharmaceuticals, psychotropic substances and precursors are subject of special licenses issued by the Ministry of Health.
- for import of goods classified as endangered wild animals, plants and fungi and as ozone depleting substances a license which is issued by the Ministry of Environment is required. Those goods are classified in the following categories of the 4-digit HS (4-digit

ISIC in parentheses): 0106 & 0709 (0112); 0306 (1512); 0307 (05); 0604 (0200); 1211 (0111); 2903 (2411); 3824 (2695);

- for import of weapons, arms and ammunition a license which is issued by the Ministry of Interior or the Ministry of Defence is required. Those goods are classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 2904 & 2920 (2411); 3601, 3603 & 3604 (2429); 3606 (3699); 8710 (2927); 9301, 9302, 9303, 9305 & 9306 (2927); 9307 (2893);
- for import of unprocessed gold and silver not intended for monetary purposes, coins which are not legal tenders and stamps, a license issued by the Ministry of Economy is required. Those goods classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 4907 (2912); 7108 & 7110 (2720); 7118 (3691);
- for import of gold for monetary purposes a license is required from the Central Bank of Macedonia.
- the Metrology Bureau issues a decision for compliance of certain goods with the legal and other metrological conditions and makes an entry into it's register which is needed for their import. Those goods are classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 7017 (2610); 8413 (2912); 8422 & 8423 (2919); 8504 (3110); 9015-17 & 9024- 9031 (3312); 9101, 9102, 9106 & 9107 (3330);
- the Institute of Standardization of Macedonia issues confirmation about performed inspection and evidencing of technical documentation for specific goods imported by the Institute, which is needed only if the goods imported are new or have not been used. Those goods are classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 8415 & 8422 (2919); 8418, 8450, 8509, 8510 & 8516 (2930); 8451 & 8452 (2926); 8467 & 8515 (2922); 8970 & 9009 (3000); 8517 & 8925 (3220); 8518, 8519, 8520, 8521, 8527 & 8528 (3230); 8536 (3120);
- for import (purchase) and implementation of radio equipment and radar devices for the civil aviation licenses which are issued by the Telecommunications Bureau are required. Those goods are classified in the following categories of the 4-digit HS (4-digit ISIC in parentheses): 8525 (3220); 8526 (3312);

The procedures for issuing of the licenses from the authorities listed above are stipulated as formal (legal) rules and are publicized. In general, importers have to file formal requests for obtaining a license. As it was indicated in the survey for this research, the time required for issuing a license generally is not extended for long time. In some cases the procedure - in the case of drugs, psychotropic substances and precursors, toxic substances, etc. - takes longer, but the importers are aware of those cases and start the procedure in due time.

2. *Technical attestation*s are another type of NTB in Macedonia. This barrier is relevant for import of durable consumer goods sold on retail, and it is actually due to a legal requirement that an attestation certificate is needed for all durable consumer goods sold on the market. This group of goods includes electrical equipment, electric appliances and devices, computers and communication equipment, machinery, and also cars and all other vehicles. The attestation certificates are issued by the Faculty of Mechanical Engineering in Skopje, which is an authorized administrative authority. The responses in the survey indicated that procedures for obtaining an attestation certificate usually take up to 15 days.

3. *Rules of origin*. Two kinds of rules of origin are applied in Macedonia: non-preferential and preferential.

Non-preferential rules of origin are used for determining the country of origin for import unrelated to FTAs which *do not* get preferential treatment. A Certificate of Origin is used as a proof or non-preferential origin. There are two basic criteria: goods entirely originating or produced in the country of origin, and goods sufficiently manufactured in the country of origin. Goods entirely originating or produced in the country of origin are: (a) mineral products derived from soil or sea bottom; (b) organic products harvested in a country; (c) live animals raised in a country; (d) products collected through hunting or fishing; (e) products of sea fishing outside of territorial waters but on vessels registered in a country; (f) products assembled in ship-factories if the vessels are registered in a country; (g) goods discarded from production activities used for producing raw materials in a country; (h) other goods produced in a country only with use of materials mentioned before. Goods sufficiently manufactured in a country of origin are goods for which the final stage of production or assembly, the one by which a new products is produced, is performed in the particular country. Operations which are *not* considered as sufficient for production or assembly of new products are the following: (a) packaging or repackaging of goods regardless where the wrapping was produced; (b) allotment of big bundles of goods into smaller, or small bundles into bigger ones; (c) sorting, classifying or division of goods through cutting; (d) labelling or signing of goods; (e) conservation of goods for transport or storage; (f) imported live animals for slaughtering if the slaughtering was performed three months prior to the day they are imported.

Preferential rules of origin are used for determining the country of origin for import related to FTAs which *do* get preferential treatment above the MFN. Each preferential regime stipulated by an FTA can have its own special definition of “goods of origin”, but certain basic rules are also applied: (a) goods have to be included under an FTA; (b) the status of a product of origin is in accordance to an FTA; (c) goods must have proof of origin; (d) the conditions of direct transport are met. The same two criteria for granting preferential treatment due to the origin of goods from a particular country apply: goods entirely originating or produced in the country, or goods sufficiently manufactured in the country of

preferential treatment. The criteria for goods treated as entirely originating or produced in a country with preferential treatment are the same as for the non-preferential rules of origin (described above), while the criteria for selection of goods with sufficient degree of manufacturing in a country with preferential treatment are set in the FTAs. There are also few basic types of additional criteria for the manufacturing processes, such as: change of the tariff entry (number) in the HS, percent of value, specific processes, combination of the criteria or an alternative one. For all goods distributed from chapter 1 to chapter 97 of the HS there are specific conditions which indicate the degree of manufacturing which is necessary to be performed to the materials without origin used in the production and which pertain only to such materials. Processes which are *not* considered as sufficient for production or assembly of new products so that they can be treated as to have origin from a country with preferential treatment are the following: (a) processes intended to preserve goods during transportation or storage; (b) separation or gathering of goods into packages; (c) washing, cleaning, wiping of dust, removal of grease, dyes, etc.; (d) textile ironing or pressing; (e) simple dyeing or polishing; (f) sharpening or cutting; (g) bottling of bottles, cans, small bottles, putting into bags, boxes, cardboard boxes and all other kind of packaging; (h) labelling (i) simple mixing of products; (j) simple assembling or separation of parts of products; etc.

Within the preferential rules of origin, the rule of cumulative origin is also applied. In all FTAs which Macedonia has signed only the rule of bilateral cumulative origin is applied. Under that rule, materials originating form the other contracting country or from Macedonia are considered as materials originating from Macedonia or from the other contracting country when being assembled in a product produced in Macedonia or in the other contracting country. Those materials are not subject to the rule of sufficient stage of manufacturing.

For granting the preferential rules of origin goods must also satisfy the principles of: (a) territory - meaning that all manufacturing is performed in the country of origin or in the cumulative zone; and (b) direct transport - meaning that goods are directly transported between the contracting countries or, if transported over territories of other countries, they have not been subject to operations other than simple reloading and preservation.

In all FTAs signed by Macedonia a Movement Certificate (EUR1), issued by customs administration on exporters request, are used as proof of preferential origin. There is special procedure for acquiring an EUR1.

4. *Inspections, veterinary and phytosanitary controls*. Import of foodstuffs, raw or manufactured, are subject to special controls before customs clearance. Imported live animals and processed meat are subject to veterinary controls, other foodstuffs are subject to phytosanitary controls, while all foodstuffs are subject to market inspections. Veterinary

and phytosanitary controls are performed by specialized agencies, while market inspections are performed by inspection authorities. As indicated in the survey for this research, the time required for those controls generally is performed within reasonably short time, often in 1 day, if the inspection and controls are performed without removing the goods from trucks.

5. *Customs rules and procedures*. Customs rules and procedures in Macedonia, all until recently, used to be difficult, onerous and taxing. Customs employees used to abuse their power for corrupt practices rather often. This was repeatedly publicly debated, and surveys almost regularly demonstrated high level of perceived corruption of customs employees. This was also indicated through the survey carried out for this research. Besides such practices, customs procedures were complicated, and the custom terminals were not linked into single information system. The entire custom administration was old fashioned and bureaucratic, so it was a well-known barrier to import.

In 2001 intensive activities to improve the efficiency of the custom system and administration in Macedonia have begun. All terminals were linked, which reduces the possibility of loosing trace of goods that have entered the country in transit or as temporary import. A Customs System Reform Committee was established with a mandate to define and undertake measures for upgrading of the customs service. Several projects for capacity building and training of customs employees and officials have commenced too. Besides that, corrupt practices have been reduced with efforts to reduce them further on being underway. The customs system is transforming into modern system, although several more years of sustained efforts will be needed until it approximates closer to European standards.

As indicated by the survey for this analysis, now a simplified customs procedure is also often applied. Practice of releasing the goods from customs inspection very quickly is established. In case the paper-work for customs clearance is not acceptable, a bank guarantee by importer's bank is required, and the errors and omissions are resolved afterwards.

Yet, as it was stated at the beginning of the paper, an interviewed high ranking civil servant in the field indicated that the remaining obstacles to foreign trade in Macedonia are more due to malpractice and improper implementation of legal rules and procedures, which is due to the remaining low capability level of the administration. By the same token, even though the procedure of releasing the goods from customs inspection is simplified and shortened, problems in the entire procedure still exist. This is true for the administrative procedures in cases of errors and omissions, because in same cases it takes several years until things get clarified. The administrative procedures concerning complaints, as well as solving disputes through courts, are very inefficient, lengthy and costly.

6. *Customs taxes or charges*. Customs inspection performed outside of terminals or after regular working hours is charged EUR 11, customs escort is charged the same, issuing of compulsory tariff information is charged EUR 80, and inspection and confirmation of technical condition of vehicles according to the TIR convention is charged EUR 16. All vehicles (trucks) are obliged to stop on custom terminals, and the charge is EUR 25 per vehicle per day (most vehicles get inspected and cleared within one day). In general, customs taxes and charges have not been indicated as a huge barrier to import by businessmen interviewed.

7. *State subsidies*. State subsidies for different industries used to be a compelling instrument of the trade policy in Macedonia, especially in the period before the transition, but also in the first years of the transition period. They could not have been abolished soon after the start of transition because companies, especially in certain sectors (e.g. agriculture), were used to favourable terms of doing business, achieving export competitiveness and socialization of losses. State subsidies in Macedonia have been gradually eliminated due to "pressures" from the IMF (elimination of subsidies has been a condition under various arrangement with the IMF), but their elimination has been definite during negotiations and preparations for the membership in WTO.

State subsidies in Macedonia now are mostly used in the case of the price of electricity used by two metal smelters (the ferro-nickel smelter Feni Industries in Kavadarci, and the ferro-chrom smelter Jugohrom in Jegunovce), although that practise is also undergoing revisions at the moment. Other than that there are no significant state subsidies. This year a proposal is being debated in the government for re-introducing state subsidies for the agricultural sector, and the current proposal of the Ministry of Agriculture is that their amount should be 5 million denars (slightly over EUR 800.000).

8. *Transport regulations and costs*. Transport regulations and costs also have not been indicated as huge barrier to import by businessmen interviewed. Actually the highway tolls level in neighbouring countries, especially in Serbia, are recognized as greater barrier on imports in (and exports from) Macedonia than tolls in Macedonia, since they increase costs of transport much more. The distribution of TIR carnets in Macedonia, in general, is regular.

9. *Local market regulations*. In general, there are no specific market regulations in Macedonia other then those commonly used in European countries. Goods sold on retail trade must bear labels with basic product information (ingredients, quantity, date of expiry, name of producer and importer and so on) written in Macedonian language, as is common practice in almost every country. All other legal market regulations in Macedonia are also being approximated to EU regulation and/or best practices of European countries. Yet, there is a considerable part of EU regulations that still need to be adopted, especially

regarding technical standardization. Until now laws on standardization, metrology, accreditation, and technical requirements for product compatibility and conformity assessment have been drafted. The legal approximation of the legislation in Macedonia to the EU acquis communautaire also needs the establishing of compatible and institutions capable to apply EU Directives and harmonized standards for free movement and safety of industrial products. The anticipated legislation will require the provision of great deal of information in the field of standards and technical regulations, electro-magnetic compatibility, general and technical safety, etc.

10. *Competition-related restrictions for market access*. A policy of market liberalization has been implemented in Macedonia since the beginning of transition. As of 2003 the prices of 89 percent of all goods and services sold on retail are set freely (without any government intervention). This also regards prices of goods traditionally considered as sensitive or important for the living standard of the poor. The only government interventions through price ceilings are for: (1) prices of energy (oil, oil derivatives and electricity); (2) prices of some public services (water supply, discharge of waste water, collection of garbage and so on); and (3) complusory vehicle insurance. Prices of agricultural products, which have traditionally been protected, are also set freely, with few occasional exceptions. Yet, the protection of market competition through legislation is of recent date - the Law on restraints of competition and the Law on unfair competition were enacted in December 1999, after which a Monopoly Committee (a regulatory body) has been established. A new law fully aligned to the EU legislation on competition is being drafted but, in general, the practice of legal protection of competition-related restrictions for market access is still unsatisfactory. Legal cases against abuse of market power and position are rare and lengthy. On the other hand, no official market surveys are carried out in Macedonia, therefore any insight into this issue has to be done on the basis of estimates and expertise of professionals in each field.

11. *Operations within free-trade zones*. Free-trade zones and industrial parks can be e form of NTB, since often companies operating within those locations are granted certain forms of exclusivity (although called stimulations), such as tax reductions, end even subsidies. In Macedonia there are two free-trade zones, one exclusively used by a ferro-nickel smelter (Feni Industries in Kavadarci), while the other one is near the capital Skopje, which was opened 4 years ago. But neither of them is a real barrier for imports, since the entire production of the ferro-nickel smelter is exported (almost no quantities are sold on the domestic market), while no factory operates in the second one. Recently the second free-trade zone was offered for privatization through a international public tender, but the procedure is not completed yet.

12. *Public procurement regulations and practices*. Public procurement in Macedonia is not a barrier to trade since, by the laws as well as in their implementation, there are no clauses

or cases of forbidding imported goods in public procurements. The selection criteria for best bidders on public procurements tenders very often place emphasis on the quality of goods, availability of servicing and spare parts and lower prices, hence, imported goods are often preferred to domestic. Recently public procurement regulations for pharmaceuticals for the public health institutions and hospitals have been revised, and under the new rules domestic and foreign suppliers of pharmaceuticals have been equalized. But, that situation is opposite in the cases of public procurement of textiles and foodstuffs for the army and the police, where domestic origin of goods is preferred.

13. *Restrictions on mobility of business people and labour*. In Macedonian laws and regulations there are no significant formal restrictions on mobility of people or labour, as well as no significant restrictions for employment of foreigners in Macedonia. Yet, in practice, employment of foreigners is met with some difficulties (lengthy periods of waiting for approvals). On the other hand, the existing Schengen visa requirements for citizens of Macedonia for travelling to EU member states, same as visa requirements for travelling to other countries in the world, are burdensome and hence are an NTB to foreign trade. The procedures for obtaining a visa usually are often very long, arduous, humiliating and even costly. Businessmen and other people must obtain invitations from foreign partners or institutions, spend hours of working time waiting in line, and pay a sum of minimum EUR 30 which, for example, is more than the cost of use of custom terminal for a truck per day. The visa regimes to Macedonia were introduced as a barrier for spill-over of smuggling and corruption to other countries, but instead they have emerged into a barrier to trade and free movement of businessmen, work force, scientists and all other citizens.

3 Protectionist structures in selected industries

As it was pointed out, the foreign trade regime in Macedonia, through reforms for over a decade, evolved into a rather simple and plain system. After the membership in WTO, *the general structure of the foreign trade protection scheme of Macedonia is profiled towards the use of tariffs* (being source of fiscal revenues, although they will also decrease in the course of 5 to 8 years), *more than through use of NTBs*. Therefore, generally speaking, there are no huge specific or tailor-made NTBs for specific industries or products in Macedonia. This section of the paper will tackle briefly the protectionist structures (tariffs and NTBS) in selected industries or products.

3.1 Agricultural products, manufactured food and beverages

Agriculture is an important industry in Macedonia, which creates almost 10 percent of GDP [Bulletin of the Ministry of Finance No. 7-8, 2003, p. 9], and utilizes almost 4 percent of all the total work force [Statistical Yearbook of Macedonia 2002, p. 259].

Imports of agricultural products in Macedonia used to be highly protected with tariffs and, although the tariff rates have been lowered, this industry in still the most protected one. Table 1 presents the average non-weighted tariff rates for certain agricultural products, foodstuffs and beverages in 2002, separated as: (1) MFN tariff rates (which in 2002 were applied on imports from Romania as well, but as of 2004, with the Free Trade Agreement signed between Macedonia and Romania, those rates are lowered and will continue to decrease in the following period); (2) tariff rates applied on imports from the EU (due to the SAA those rates are lower in 2004, and will continue to decrease; beginning from May 1st 2004 those tariff rates also apply for imports from Slovenia); (3) tariff rates applied on imports from Bulgaria and Croatia (in 2002 those rates applied on imports from Slovenia as well); (4) and tariff rates applied on imports from Serbia and Montenegro. Imports from Bosnia are free of any tariff rates.

Table 1

Average non-weighted tariff rates for certain agricultural products, foodstuffs and beverages in 2002

	non-weighted average MFN tariff rate	non-weighted average - EU tariff rate	non-weighted average- Bulgaria & Croatia tariff rate	non-weighted average - Serbia & Montenegro tariff rate
Agricultural products				
vegetables (raw & frozen)	41,70	41,30	41,70	0,00
fruits (raw & frozen)	28,80	28,10	28,80	0,00
milk & dairy products	22,50	19,50	22,50	6,70
live animals	9,90	6,00	9,90	0,00
meat (fresh, chilled & frozen)	18,7	14,9	18,7	2,8
fish	12,68	6,00	12,68	0,00
eggs	14,4	8	14,4	0,00
honey	60	60	60	0,00
other (coffee, tea, spices)	13,3	9,4	13,3	0,00
cereals	18,4	16	18,4	0,00
Manufactured foodstuffs				
processed meat & fish	15,10	9,00	15,10	0,00
sugar & confectionery	11,50	9,30	11,50	0,00
cocoa & preparations	11,50	7,00	11,50	0,00
processed cereals	37,00	29,00	37,00	0,00
processed vegetables	40,20	40,00	40,20	0,00
miscellaneous edible preparations	31,20	30,50	31,20	0,00
Beverages				
non-alcoholic	57,80	57,80	57,80	49,00
alcoholic	50,00	50,00	50,00	49,50

Apart from the averages, there are certain rather huge tariffs peaks for some agricultural products. The tariff peaks are:

- on imports of raw and frozen vegetables 60 percent (in the following categories of the 4-digit HS: 0704; 0708; 0710; and 0711);
- on imports of raw and frozen fruits 60 percent (4-digit HS: 0807; 0808; and 0809);
- on imports of milk and dairy products 35 percent (HS 0406 – cheese) and 25 percent (HS 0401 and 0402);
- on imports of live animals 27 percent (HS 0104);
- on imports of fresh, chilled or frozen meat 40 percent (HS 0204), 22 percent (HS 0210) and 20 percent (HS 0207);
- on imports of fish 20 percent (HS 0301);
- on imports of eggs 40 percent (HS 0407);
- on imports of cereals 60 percent (HS 1006);
- on imports of processed meat and fish 20 percent (HS 1602 and 1603);
- on imports of sugar and confectionery 60 percent (HS 1702.90); 40 percent (HS 1704) and 25 percent (HS 1701.91 and 1701.99);
- on imports of cocoa and preparations 40 percent (HS 1806);
- on imports of processed cereals 40 percent (HS 1902) and 50 percent (HS 1904 and 1905);
- on imports of processed vegetables 55 percent (HS 2004) and 60 percent (HS 2002; 2003 and 2005);
- on imports of non-alcoholic beverages 60 percent (HS 2201 and 2206); and
- on imports of alcoholic beverages 60 percent (HS 2205; 2206 and 2208);

One more thing which is important in this context, is the fact that the tariff peaks are almost the same regardless whether its MFN tariff rates or tariff rates on imports from EU or Bulgaria and Croatia.

Imports of agricultural (raw or frozen) products, manufactured food and beverages in Macedonia, besides protected by high tariffs, also used to be robustly protected by NTBs. Quantitative restrictions, import licensing, bans on import and so on were common practice. The common and understanding and industrial policy argument was the idea that raw agricultural products harvested in Macedonia (wheat, vegetables and fruits and so on), as well as some manufactured food products and beverages are “strategic”, hence they have to be protected from competition from import. It is also true, however, that protection of agricultural products and manufactured food through NTBs, particularly for certain products (sugar, processed meat, etc.) used to be very lucrative for the decision-makers (rent-seeking for issuing licenses, for example).

Last few years things regarding NTBs have somewhat changed. There are two basic causes for that: reforms and preparations for WTO membership, and the FTAs signed by

Macedonia, most of which with SEE countries. Due to reforms in foreign trade regime of Macedonia for WTO membership most of the protection schemes, as well as state subsidies, in the case of agricultural products and manufactured food and beverages have been greatly eliminated. Even more, some experts today claim, although the arguments are dubious, that Macedonia has liberalized it's foreign trade protection and subsidizing schemes for agricultural products more than it is necessary by WTO provisions, hence domestic producers bear loses due to that. As to the second cause, the FTAs with all SEE countries stipulate quotas for preferential import of agricultural products and manufactured food, which are distributed on the first come – first served principle (as explained).

Of the remaining NTBs for import of agricultural products and manufactured food the special controls before customs clearance are an obvious one. Imported live animals and processed meat are subject to veterinary controls, all other foodstuffs are subject to phytosanitary controls, while both are subject to market inspections. The veterinary and phytosanitary controls are performed by specialized agencies, and market inspections are performed by inspection authorities. The time required for those controls in most cases is performed within reasonably short time, often in 1 day.

This year, because the price of wheat produced by domestic producers is much higher than of imported wheat (due to last year's unfavourable conditions), the Government of Macedonia has imposed special protection on import of wheat for the first six months of the year. Imports of wheat are under preferential tariff treatment with a tariff rate of 5 percent for imports from WTO member states and zero percent for imports from Serbia and Montenegro, but obtaining a quota is pertinent to purchasing domestic wheat – each importer can be granted an amount of the quota equal to the amount of purchased domestic wheat.

Import of sugar used to be pertinent to a special license from the Ministry of Economy which was issued only if an importer had secured storage facility of certain type and capacity. This was a way of ensuring monopolistic position for the domestic sugar refining factory, but this barrier has been eliminated in 2003.

Considering the market structure and rivalry in the case of agricultural products and manufactured food in Macedonia two patterns can be distinguished. The market of raw agricultural products is dominated by domestic producers (farmers), while the market of processed foodstuffs is dominated by foreign producers. This is a rather typical pattern, since the vast quantities of vegetables and fruits harvested in Macedonia, coupled with low average purchasing power of domestic consumers, drive average prices of unprocessed agricultural products down; high average tariff protection for imports of agricultural products, relatively high transportation costs and their limited durability (when not frozen) make imported raw agricultural products non-competitive on domestic market. On the other

hand, small domestic supply of processed agricultural products in Macedonia and their rather low quality, create market niches for imported processed agricultural products.

Imports of beverages are not subject to any special protection through NTBs as well, since being heavily protected with tariffs. The only peculiarity for importing alcoholic beverages (not beer) is that they are subject to excise tax so importers, same as domestic producers, ought to have excise tax license, which is issued by the Ministry of Finance if conditions are fulfilled. The market for beverages is competitive, although not so much for cheaper alcoholic beverages (beer, wine and brandy) in which case domestic producers have advantages.

3.2 Tobacco and cigarettes

The tariff rates for imports of tobacco products (cigarettes) are among the highest of all tariff rates in Macedonia. The data on average tariff rates is presented on Table 2. On the tariff peaks side, there is only one notable “negative” tariff peak (lowest rate) of 15 percent applied on imports of goods of HS entry 2403.91.0000.

Table 2

Average non-weighted tariff rates for tobacco and cigarettes in 2002

	non-weighted average MFN tariff rate	non-weighted average EU tariff rate	non-weighted average Bulgaria & Croatia tariff rate	non-weighted average Serbia & Montenegro tariff rate
unmanufactured	18,00	17,30	18,00	17,30
cigarettes	52,50	52,50	52,50	52,50

In Macedonia one special NTB on imports of cigarettes is applied. Import of raw tobacco is completely free, while for import of cigarettes, since they are subject to excise tax, it is necessary that each box is sealed with a banderole, which is a proof that the tax has been paid.

3.3 Crude and refined petroleum

The tariff rates for imports of petroleum (crude and refined) in Macedonia are not particularly high and there are no tariff peaks as well. The data on average tariff rates is presented on Table 3.

Table 3

Average non-weighted tariff rates for petroleum in 2002

	non-weighted average MFN tariff rate	non-weighted average EU tariff rate	non-weighted average Bulgaria & Croatia tariff rate	Non-weighted average Serbia & Montenegro tariff rate
crude	6,67	0,00	0,00	0,00
refined	19,10	15,28	0,00	0,00

Import of crude and refined petroleum in Macedonia, all until 2003, has been burdened with NTBs. Actually, the whole business of importing crude and refined petroleum was a typical monopoly. There was only one company authorized for import of crude petroleum and for sale of refined petroleum, while the refining was done in the only (one) refinery in Macedonia. Few years ago both the refinery and the trading company have been privatized, but the monopoly was not lost – the refinery was the only entity authorized for import of crude petroleum, and the trading company is authorized for import of refined petroleum.

In 2003 the market barrier was eliminated so any trading company can import refined petroleum, whereas for import of crude petroleum, since there is only one refinery, it imports the entire quantities of crude petroleum in the country. For import of refined petroleum there is one more “safety” condition (a NTB) which has to be satisfied: importers must have available storage facility with the size of at least 5.000 tons for each type of petroleum.

3.4 Textiles

The tariff rates for imports of textiles (fabrics and garments & apparel) in Macedonia are still relatively high, especially the MFN and EU tariff rates. The data on average tariff rates is on Table 4.

Table 4

Average non-weighted tariff rates for textiles in 2002

	non-weighted average MFN tariff rate	non-weighted average EU tariff rate	Non-weighted average Bulgaria & Croatia tariff rate	non-weighted average Serbia & Montenegro tariff rate
fabrics	11,44	7,70	0,00	0,00
garments & apparel	35,00	24,50	0,00	0,00

Apart from the averages, there are certain rather significant tariffs peaks for imports of textile fabrics (not for garments and apparel):

- The MFN tariff peaks on imports of textile fabrics are: 30 percent on HS entry 5209.42; 25 percent on HS entries 5109, 5110 and 6001; 23 percent on HS entry 5906; 21 percent on HS entry 5902; 20 percent on HS entries 5207 and 5511; and 19,5 percent on HS entry 5204.20;
- The EU tariff peaks on imports of fabrics are: 21 percent on HS entry 5209.42; 17,5 percent on HS entries 5109, 5110 and 6001; 14 percent on HS entry 5511; and 13,05 percent on HS entry 5204.20;

On the other hand, imports of textiles in Macedonia are generally free of NTBs, the only one left are the additional rules of origin applied for import of textiles. In applying the rules of origin to textile imports, it is considered that textile fabrics or products originate from a country where the entire procedure of their manufacturing has been performed. “Entire manufacturing procedure” means manufacturing procedure due to which a new product is created which is entered under another (4-digit) HS entry (number), and not under the HS entries (numbers) of any of the materials used for it’s manufacturing. For certain textile products listed in a special list only the specially specified manufacturing procedure explained in that listing is considered as “entire manufacturing procedure”, regardless whether there is change of the HS entry (number) after the manufacturing procedure is performed. There are also separately listed cases of manufacturing procedures by which textile goods can not anyhow gain origin of a country, and they include: (a) procedures needed for maintaining the goods in unchanged conditions during transportation or storage; (b) simple removing of dust, sowing or separating, sorting, classifying (including assembling in sets), washing, cutting; (c) change of wrapping and separation from or collection into bundles, wooden or cardboard boxes etc; (d) labelling of goods or their wrapping; (e) simple assembling of goods into one product.

There is a great number of textile factories in Macedonia, and textile exports are one (of the two or three) most important exporting products of Macedonia. Yet, the competition on the domestic market for textiles is vigorous, despite complaints of domestic producers. The competitive edge of the domestic textile producers is gained through the use of the relatively cheap labour force, but not through high quality, branding and distribution, hence the textile production in Macedonia is mostly within outsourcing arrangements of foreign producers.

3.5 Equipment and machinery

The tariff rates for imports of machinery and equipment (tools, mechanical machinery & equipment and electrical machinery & equipment) in Macedonia, same as with textiles, are still relatively high, especially the MFN and EU tariff rates. The data on average tariff rates is on Table 5.

Table 5

Average non-weighted tariff rates for machinery and equipment in 2002

	non-weighted average MFN tariff rate	non-weighted average EU tariff rate	Non-weighted average Bulgaria & Croatia tariff rate	non-weighted average Serbia & Montenegro tariff rate
tools	9,70	3,00	0,00	0,00
mechanical machinery & equipment	6,90	2,90	0,00	0,00
electrical machinery & appliances	10,60	7,10	0,00	0,00

Apart from the averages, there are as well rather significant tariffs peaks for imports of machinery and equipment:

- The MFN tariff peaks on imports of tools are: 23 percent on HS entries 8211, 8214 and 8215; and 22 percent on HS entry 8212.10; the EU tariff peaks on imports of tools are: 20,7 percent on HS entry 8211;
- The MFN tariff peaks on imports of mechanical machinery & equipment are: 23 percent on HS entries 8467.21.1000 and 8418; 22 percent on HS entry 8408.10.1100; 20 percent on HS entries 8407.21.1100, 8413.11.0000, 8423.10.1000 and 8476; and 18 percent on HS entries 8403, 8459 and 8461; the EU tariff peaks on imports of mechanical machinery & equipment are: 20 percent on HS entry 8413.11.000; 18 percent on HS entry 8459; 16 percent on HS entries 8402, 8403 and 8404; and 15 percent on HS entry 8414.10.1000;
- The MFN tariff peaks on imports of electrical machinery & appliances are: 25 percent on HS entries 8516, 8527 and 8539; 23 percent on HS entry 8536; and 20 percent on HS entries 8506, 8534, 8544 and 8548; the EU tariff peaks on imports of electrical machinery & appliances are: 25 percent on HS entries 8516 and 8539; 23 percent on HS entry 8536; 22,5 percent on HS entry 8527; and 20 percent on HS entries 8534 and 8544;

Besides tariffs, two kinds of NTBs are applied on imports of equipment and machinery in Macedonia. The first one is the requirement that an attestation certificate is needed, issued by the Faculty of Mechanical Engineering in Skopje as authorized administrative authority. The responses in the survey indicated that procedures for obtaining an attestation certificate usually take up to 15 days.

The second NTB are the rules of origin applied to additional devices or spare parts of equipment. Under those rules, additional devices or spare parts purchased together with equipment and machinery as parts of their standard equipment are considered to have the same origin as the equipment or the machinery. The same applies to important parts of equipment which are freely sold or exported if certain conditions set (in legal regulations) are fulfilled.

3.6 Cars and vehicles

Import of cars and vehicles in Macedonia generally is not burdened with high tariff barriers. The average MFN tariff rate on imports of vehicles is 9,6 percent, while the tariff peaks are 24 percent on imports of goods in HS entry 8702, 21 percent on HS entry 8703.10.1100, 20 percent on HS entry 8716.10 and 18 percent on HS entry 8711. The average EU tariff rate is 4 percent and the tariff peaks are 19,3 percent on HS entry 8702, 16,8 percent on HS entry 8703.10.1100 and 16 percent on HS 8716.10.

There are two NTBs applied on imports of cars and vehicles. First, for import of new cars and vehicles attestation certificate is needed for each separate model, while for import of used cars and vehicles attestation certificate is needed for each separate one. The certificates are issued by the Faculty of Mechanical Engineering in Skopje, which is authorized administrative authority. Procedures for obtaining an attestation certificate usually take up to 15 days, and the cost is EUR 130 per certificate. The other barrier is that imports of vehicles which have more than 10 years since the date of their production are not allowed. The market for cars and vehicles is very competitive since there is no domestic producer of cars and vehicles, and all major producers are present through dealership networks.

3.7 Pharmaceuticals

Import of pharmaceuticals in Macedonia are not burdened with particularly high tariff rates (Table 6), and the notable tariff peaks are the 25 percent rate applied on imports of goods classified under the HS entry 3006.80.000 (waste pharmaceuticals) of the MFN tariff schedule, and the 13 percent rate applied on imports of goods classified under the HS entries 3004.90.1100 and 3005.10.000 of the EU tariff schedule.

Table 6

Average non-weighted tariff rates for pharmaceuticals in 2002

	non-weighted average MFN tariff rate	non-weighted average EU tariff rate	non-weighted average Bulgaria & Croatia tariff rate	Non-weighted average Serbia & Montenegro tariff rate
Pharmaceuticals	4,70	2,40	0,00	0,00

NTBs on imports of pharmaceuticals in Macedonia can be considered as normal, due to the “sensitive character” of the goods. First, there is a list of all pharmaceuticals which can be prescribed and sold, hence also imported in Macedonia, which is set by the Ministry of Health. Next, the importers of pharmaceuticals have to be registered in a special registry. Third, import of drugs, psychotropic substances and precursors are subject of special licenses issued by the Ministry of Health.

3.8 Tourism

Despite favourable natural conditions and historic heritage (sites), tourism is still not a major industry in Macedonia. It creates around 1.5 percent of GDP [Bulletin of the Ministry of Finance No. 7-8, 2003, p. 9], and utilizes almost 2 percent of all the total work force [Statistical Yearbook of Macedonia 2002, p. 260]. Few factors contribute to that, the most important ones being: poor supply (low quality) of resorts (hotels and restaurants), although this has improved lately; extremely insufficient marketing (Macedonia is almost unknown to foreigners as tourist destination); bad transport connections to major cities in Europe; poor preservation of clean environment, and so on. Only few hotels in Skopje (the capital) have been bought by foreign tourism services providers until now. As to the barriers to entry in this industry, by far the most blatant ones are: acquiring construction permits (for constructing new facilities); acquiring permits for use or change of use of land; and in some cases the visa regime (visas are required for entry of foreigners from certain countries in Macedonia). The procedure of issuing construction permits and permits for use of land was improved, but is still far from world standards. Lately (in 2003), however, within the framework of the Macedonian Competitiveness Project a tourism cluster was created, which encompasses a number of local tourism services suppliers and their business partners. The cluster has performed needs assessment and has set priority actions for improving the tourism in Macedonia. Also a dialogue with the Government has commenced about the points where joint efforts are needed, so the prospects of the tourism in Macedonia are likely improve.

3.9 Financial and intellectual services

Financial services industry (banking, insurance, accounting, revisions and financial intermediation) and intellectual services (consulting) are relatively important industries in Macedonia. They create slightly over 3 percent of GDP [Bulletin of the Ministry of Finance No. 7-8, 2003, p. 9], and utilize over 3 percent of all the total work force [Statistical Yearbook of Macedonia 2002, p. 260]. There are no formal tailor-made barriers to entry of foreigners and foreign companies in the financial services industry and in the field of intellectual services in Macedonia. Several banks from countries of the region (Greece, Slovenia, Bulgaria, Turkey), and from Germany and Switzerland have entered the banking market in Macedonia (the share of foreign capital in the total capital of the banks in Macedonia is 45.9 percent), and also most of the biggest international firms in the fields of accounting, revisions and consulting, as well as in the insurance (the share of foreign capital in the insurance business in Macedonia is 62 percent), are present. There is a set of formal regulations for supervision of financial institutions, for maintaining the competition, stability and safety in that sector; there are also regulatory and supervision institutions; and there are certain licenses for working in those industries which have to be obtained; but in a formal way they are all equally applicable to both domestic and foreign companies. As

has been suggested by the professionals working in those industries interviewed for this research, it's not the rules, but the lack of proper non-discriminatory implementation of those rules that creates barriers to entry and working under unequal terms. And a second barrier has been identified in the restrictions for employment of foreigners in Macedonia, actually the difficulties in the employment of foreigners which are met in practice (very lengthy periods of waiting for approvals for employment of foreigners). But other than that, there are no barriers or NTBs in the field of intellectual and financial services, and actually the conditions regarding the rules for working (not the market situation), as well as the practices of corporate governance in the banking sector in Macedonia have been identified as relatively favourable.

3.10 Telecommunications

The market of fixed telephone services in Macedonia is dominated by a single operator, privatized (sold) in 2000 up to 51 percent to a foreign company. This operator has the exclusive right to provide fixed telephone, telegraph and telex services, as well as to construct and operate with fixed public telecommunication networks until the end of 2004. In the field of mobile telephone services there are two operators, and both of them together have over 600.000 users. Internet services are liberalized, and there are around 10 internet services providers, which have access through the public commuted network. At the moment there are around 60.000 Internet users in Macedonia, which is a low density of 3 percent. The Government is now considering the option for licensing a third operator of mobile telephone services, as well as for liberalizing and introducing competition in the market of fixed telephone services once the exclusivity granted to the existing operator through a Concession Agreement expires at the end of this year.

3.11 Construction

Construction is a relatively important industry in Macedonia, it creates slightly over 5 percent of GDP [Bulletin of the Ministry of Finance No. 7-8, 2003, p. 9], and utilizes almost 8 percent of all the total work force [Statistical Yearbook of Macedonia 2002, p. 259]. Construction services used to be a very important exporting item of Macedonia in recent past (before the transition), but it's importance has decreased in the last 10 years. Considering NTBs, there are no specific tailor-made barriers to entry of foreign companies in the construction services industry in Macedonia. All legal rules, procedures and constraints for construction work apply equally to domestic and foreign services providers. However, no foreign construction company operates in Macedonia, which is most likely due to the small market.

4 Implications for the public policy

An important issue which arises when discussing policy of foreign trade liberalization along with elimination of NTBs is the one concerning “winners and loosers”. In this case this applies first to whether Macedonia will gain or lose more with foreign trade liberalization, and second which specific sectors in the economy will gain or lose. However, elimination of NTBs on imports is definitely reform which has to be implemented (or rather completed) in Macedonia, since the past when such barriers were imposed in most cases the gains were not felt by the society, but either by some producers or in worst cases by certain officials. Reduction of tariff barriers can create “winners and loosers”, but according to the SAA, this is already scheduled to be implemented in the forthcoming period, so there is little space to maneuver around the policy options.

Being a small country in EU accession process - Macedonia submitted Application for EU membership on March 22nd 2004 - implies rather straightforward public (industrial) policy of Macedonia. In general terms, in order to meet the criteria for EU accession the country has to emerge into a functional market economy, through reforms aimed at creation of an economy capable of coping with competitive pressures on the EU Internal Market, simultaneously approximating its domestic regulatory framework and environment to the EU Acquis Communautaire.

In the realm of the foreign trade policy, based on the National Strategy for European Integration of Macedonia, Draft Version, increasing and intensifying foreign economic cooperation and trade is the nucleus of Macedonia’s future outward-looking and export-oriented development concept. The most important foreign trade partners of Macedonia are and will remain primarily EU countries and non-EU member countries of the SEE region. Macedonia is crucially interested to pursue further liberalization of foreign trade under the WTO auspices, implement the SAA and continue the harmonization of trade regulation to EU standards. Thus, the instruments of Macedonia’s foreign trade policy can be separated into two basic areas: (i) restructuring and upgrading of the enterprise sector (both large and SMEs) in order to increase its international competitiveness; and (ii) reforms in the foreign trade regime aimed at eliminating the existing barriers (NTBs) to trade and to comply to those of the EU.

The foreign trade regulatory framework of Macedonia should be reformed further to comply fully with EU standards. This applies to the obligations of the SAA and White Paper requests related to conditions for imports of goods from EU. The requirements within the SAA are “tangible” deeds that have to be transformed into an action plan to achieve those objectives.

Few issues in the Macedonian legislation on free movements of goods harmonization process include:

(1) amending the regulation on foodstuffs, which should encompass (a) regulations on labelling, presentation and advertising of foodstuffs (Directive 79/112/EEC and Directive 97/4/EC); (b) regulations on disclosure of used additives (Directive 89/107/EEC); (c) use of sweeteners, colours, and flavourings; (d) control (Directive 89/397/EEC) and hygiene inspection (Directive 93/43/EEC); (e) procedures for control of foodstuff contaminants (Regulation 315/93/EC); (f) regulations for maximum permitted levels of radioactivity (Regulation 315/93/EC); and (g) regulations on toxic products.
(2) in order to meet the requirements of EU directives on pharmaceuticals, drugs and psychotropic substances, further harmonization of Macedonian regulatory framework requires: (a) amendment of the Law on medicines, auxiliary medicines and medical appliances; (b) the Law on production and trade with drugs; and (c) the Law on precursors. Most of the activities related to harmonizing the regulations for medical products, clinical examinations and preventing illegal production and traffic in drugs and psychotropic substances has not yet started.

Reforms and reorganization of the Customs Administration in Macedonia have to continue through the implementation of EU best practices and through training for capacity building of customs officials. Customs premises have to be equipped with scanners for trucks and other vehicles, and the number of mobile teams in the Control and Investigation Sector of the Customs Administration also have to be increased.

There are numerous other parts of the foreign trade regulation and of the institutions that implement it in Macedonia which also have to be reformed, and they all should be harmonized to the EU regulatory framework.

References

Commission of the European Communities (2003): Green Paper on the Future of Rules of Origin in Preferential Trade Arrangements, COM (2003)787 final, Brussels

Customs Office of RM (2003): Guide for Tariff Fees, and Change of the Guide for Tariff Fees No. 07-6355/1 from December 31 2002, Official Gazette of RM No. 47/2003

Government of RM (2000): Decision for the Criteria for Proof of Origin of Goods

Government of RM (2000): Prohibition for Return of Duty or Release of Duties According to the Protocols for Origin from the Free Trade Contracts/Agreements

Government of RM (2003): Decision for Distribution of Goods in Export and Import Categories.

Government of RM (2004): National Strategy for European Integration of Macedonia, Draft Version.

Ministry of Economy in the Government of RM (2003): List of Goods for which Preferential Tariff Quotas are Distributed Through Auction for 2004, Official Gazette of RM No. 29/2003

Ministry of Economy in the Government of RM (2000): Decision on the way and the Procedure for Distribution of Goods within the Tariff Quotas, Official Gazette of RM No. 59/2000

Ministry of Finance in the Government of RM (2003): Bulletin, No. 7-8, 2003.

OECD (2002): Analysis of Non-Tariff Measures: The Case of Non-Automatic Import Licensing. TD/TC/WP(2002)39FINAL, OECD, Dec. 04. 2002

OECD (2003): Overview of Non-Tariff Barriers: Findings from Existing Business Surveys, TD/TC/WP(2002)38FINAL, OECD, March 06. 2003

OECD (2003): Analysis of Non-Tariff Measures: The Case of Export Duties, TD/TC/WP(2002)54FINAL, OECD, January 31. 2003

OECD (2003): Analysis of Non-Tariff Measures: The Case of Export Restrictions, TD/TC/WP(2002)54FINAL, OECD, April 04. 2003.

State Statistical Office (2002): Statistical Yearbook of the Republic of Macedonia 2002.

IMPRESSUM

Herausgeber, Verleger, Eigentümer und Hersteller:
Verein „Wiener Institut für Internationale Wirtschaftsvergleiche“ (wiiw),
Wien 6, Rahlgasse 3

ZVR-Zahl: 329995655

Postanschrift: A 1060 Wien, Rahlgasse 3, Tel: [+431] 533 66 10, Telefax: [+431] 533 66 10 50
Internet Homepage: www.wiiw.ac.at

Nachdruck nur auszugsweise und mit genauer Quellenangabe gestattet.

Offenlegung nach § 25 Mediengesetz: Medieninhaber (Verleger): Verein "Wiener Institut für Internationale Wirtschaftsvergleiche", A 1060 Wien, Rahlgasse 3. Vereinszweck: Analyse der wirtschaftlichen Entwicklung der zentral- und osteuropäischen Länder sowie anderer Transformationswirtschaften sowohl mittels empirischer als auch theoretischer Studien und ihre Veröffentlichung; Erbringung von Beratungsleistungen für Regierungs- und Verwaltungsstellen, Firmen und Institutionen.