The Permanent Mission of the Republic of Macedonia to the United Nations presents its compliments to the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and has the honour to enclose the English version of the national report of the Republic of Macedonia.

The Permanent Mission of the Republic of Macedonia to the United Nations avails itself of this opportunity to renew to the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States the assurances of its highest consideration.

February 2013

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New York
5. **International Trade of the Republic of Macedonia**

**Foreign Trade Characteristics**

The Republic of Macedonia is a landlocked country with a small but open economy. Macedonia integrates itself in global economy through three compatible processes: integration in multilateral trading systems, EU integration and regional trade integration.

Key importance developments that have had an important impact on the trade system reforms have been the country's membership of the World Trade Organization (2003), the conclusion of the Stabilization and Association Agreement (2001) and the conclusion of regional free trade agreements.

Global economy developments have a great impact on changes in the foreign trade of the Republic of Macedonia. In the period from 2001 to 2011, there could be a favourable development trend noticed in the country's foreign trade, which on its part directly contributed to the continual economic development of the country.

The total volume of Macedonia's foreign trade has been continually growing, except in 2009, as a result of the world economic crisis. In 2010 and in 2011, the foreign trade volume gradually recovered, with exports/imports gradually rising, reaching volumes prior to the crisis. Such a development had a positive impact on reducing the foreign trade deficit.

In 2010, the total foreign trade volume of Macedonia (exports and imports of goods in total) grew by 19.7%, compared with 2009, reaching 94.5% of the GDP value. In 2011, the foreign trade volume continued to grow, reaching gradually the maximum level of trade openness accomplished in 2008 - 109.6%.

A characteristic feature of the Macedonian exports structure is that most of the exports consist of goods in the "iron and steel" sector, then in the "garments" and "food" sectors, then "other semi products" and "fuels". This shows that the Macedonian economy is centred on several sectors. In addition to the above mentioned goods, in 2011 and in 2012 the chemical sector had an important share in the exporting structure, which was a result of the export of accumulators. As regards imports, they consist of equal share of imports of machines, office and transport equipment, fuels, food, chemicals, iron and steel and other products.
Concluded Free Trade Agreements

The increase of the overall foreign trade volume of the Republic of Macedonia can be attributed to the integration of the Republic of Macedonia in the world trade system and to the conclusion of regional and bilateral free trade agreements.

The pursuance of such a policy created conditions to advance the foreign trade. A Free Trade Agreement was concluded with Turkey (in 2000), then an Association and Stabilization Agreement was concluded with the European Union (2001), then Free Trade Agreement with Ukraine (in 2001), then EFTA (2002) and CEFTA (2006). These agreements set the framework for developing regional cooperation, then for advancing and expanding markets, and for furthering the political and economic integration into the EU.

As regards economic groupings of countries, the EU (EU-27) is the major trading partner. Hence, in 2011, 60.6% of the total Macedonian exports were to the EU, while 54.4% of the country’s imports came from the EU. The second largest foreign trade volume is accomplished with CEFTA countries. The foreign trade under the CEFTA has about 27.6% share in the country’s exports, i.e. 11.4% in the country’s imports.

The country’s trade cooperation with EFTA countries is also important. Hence, the trade with these countries has 2.5% share in the total imports, and 0.7% in the exports of goods from Macedonia (2011).

Economic Integration of the Republic of Macedonia into the European Union

The Republic of Macedonia is part of the EU Stabilization and Association Process. The Stabilization and Association Agreement between the Republic of Macedonia and the EU was signed in April 2001, and entered into force in April 2004. In December 2005, the European Council granted Macedonia a candidate status. In October 2009, the Commission recommended the Council to open accession negotiations with Macedonia. Yet, there was no decision regarding this recommendation, as there was no decision as regards the consequent 2010 and 2011 recommendations.

The political and economic dialogue between the EU and Macedonia is pursued under structures established in line with the Stabilization and Association Agreement. Joint bodies have been established—Stabilization and Association Committee and Stabilization and Association Council, while experts from both sides meet regularly in sub-committees and especially established groups. The High-Level Accession Dialogue –HLAD between the Government of the Republic of Macedonia and the Commission started on 15 March 2012. The HLAD purpose is to accelerate reforms in the process of EU accession.
The visa liberalization, allowing visa free travel to the Schengen zone countries, entered into force in December 2009. This contributed to overcoming travelling obstacles. EU’s financial assistance is provided under the Instrument for Pre-Accession Assistance, the country also receiving EU support under various programs for regional and cross-border cooperation.

<table>
<thead>
<tr>
<th>Foreign Trade</th>
<th>2001</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import value - all goods, all partners (in MEURO)</td>
<td>1 893</td>
<td>3 834</td>
<td>4 664</td>
<td>3 637</td>
<td>4 137</td>
<td>5 038</td>
</tr>
<tr>
<td>Exports value - all goods, all partners (in MEURO)</td>
<td>1 293</td>
<td>2 477</td>
<td>2 698</td>
<td>1 937</td>
<td>2 535</td>
<td>3 198</td>
</tr>
<tr>
<td>Trading balance: all goods, all partners (in MEURO)</td>
<td>-600</td>
<td>-1 356</td>
<td>-1 967</td>
<td>-1 700</td>
<td>-1 602</td>
<td>-1 841</td>
</tr>
<tr>
<td>Share of exports to the EU (27 members) in the total exports value (%)</td>
<td>53,5</td>
<td>65,3</td>
<td>59,5</td>
<td>56,4</td>
<td>61,8</td>
<td>60,6</td>
</tr>
<tr>
<td>Share of imports from the EU (27 members) in the total imports value (%)</td>
<td>59,5</td>
<td>49,8</td>
<td>48,2</td>
<td>52,2</td>
<td>53,2</td>
<td>54,4</td>
</tr>
<tr>
<td>GDP (MEURO)</td>
<td>3 839</td>
<td>5 965</td>
<td>6 720</td>
<td>6 703</td>
<td>7 057</td>
<td>7 531(f)</td>
</tr>
</tbody>
</table>

(a) Preliminary data
(f) = forecast

The Development of Relations under CEFTA 2006

An important event in the foreign trade development of the Republic of Macedonia was the country’s Integration in the Central European Free Trade Agreement - CEFTA 2006. CEFTA 2006 is a comprehensive agreement on free trade among Southeast European countries (Macedonia, Serbia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, Kosovo and Moldova). The conclusion of this Agreement has made an important contribution to enhancing the regional economic cooperation of the Southeast European countries, as well as to further foreign trade liberalization and to the continuation of activities for harmonization of trading rules with international standards.
CEFTA 2006 provides a comprehensive framework for development of the relations and economic cooperation among Southeast European countries. With a view to facilitating implementation of CEFTA provisions, mechanisms and working groups have been established in specific areas (the Secretariat in seated in Brussels). Under the established mechanisms, countries endeavour to eliminate barriers to trade in goods and services and to further facilitate movement of goods within the region with the goal of increasing trade, while undertaking measures such as concessions and other trade liberalization measures, encouraging investments, intellectual property protection, etc.

Within bodies established under CEFTA, a debate is pursued among member-states on the further elimination of non-tariff barriers and technical barriers to trade. The debate is supported with considerations and studies prepared by experts working on projects funded by the European Commission, the OECD, GTZ and other institutions.

In economic terms, the CEFTA conclusion marked the start of integration of Southeast European countries, and their grouping has had an especially favourable effect for small market countries, such as Macedonia, considering that the Agreement creates conditions for customs free access to a large regional market, which is an important prerequisite for attracting foreign investments.

*World Trade Organization and Negotiations under the Doha Development Agenda*

The Republic of Macedonia became a member of the World Trade Organization (WTO) on 3 April 2003 and in the last period it has fulfilled obligations it assumed upon accession to the WTO and obligations under multilateral treaties on trade in goods and services. In 2012 the last obligations for reducing customs fees for industrial goods, in line with the Schedule of Goods for the Republic of Macedonia, were fulfilled, by which the country has fulfilled all obligations for liberalization of trade in goods under the Protocol on the Accession of Macedonia to the WTO.

As regards the on-going round of multilateral trade negotiations pursued at the WTO, i.e. the Doha Development Agenda, the Republic of Macedonia endeavours that the country has the Recently Acceded Member status. Such a status enables that recently acceded countries are not required to undertake further concessions, such as those in agriculture and as regards NAMA (non-agriculture market access), in light of concessions made and obligations assumed during the WTO accession process.