



American Chamber of Commerce
North Macedonia

Economic Integration Position Paper: Policy Actions

Recommendation

Take an active role in initiatives aimed at improving regional cooperation and integration

Active engagement in initiatives focused on improving regional cooperation and integration within the Balkan region is crucial for the country's economic prosperity. These initiatives help overcome regional challenges and lay the foundation for faster EU convergence. Indeed, active engagement in regional initiatives fosters political stability and strengthens diplomatic ties, which are essential for creating a conducive environment for economic development. Additionally, as the U.S. and Europe remain each other's most important markets, with deep economic integration (AmCham EU, "The Transatlantic Economy Report", 2024), taking an active role in these initiatives will prepare businesses to get more involved in transatlantic trade as well. The European Union and the United States as well as other international organizations are strongly committed to supporting North Macedonia in undertaking robust structural reforms, facilitating its integration into the global trading and economic system. Capitalizing on this collaborative effort will boost North Macedonia's economic integration and ensure long-term stability and prosperity.

Actions:

- Mobilize the capacities and fully commit to capitalize on the opportunities arising from the EU Growth Plan for the Western Balkans as it offers opportunities to boost economic growth and accelerate socio-economic convergence.
- Leverage the EU's Economic and Investment Plan, which aims to accelerate the green and digital transition of the country and foster regional cooperation.
- Create platforms or forums for cross-border partnerships where stakeholders from different neighboring countries can regularly meet and develop joint project proposals as it will help to further utilize funds from the Instrument for Pre-Accession Assistance (IPA III), particularly those related to Window 5: Territorial and Cross-Border Cooperation.
- Build on the advantages gained from the Open Balkan initiative by enhancing and broadening these efforts to strengthen regional economic cooperation and promote the free movement of people and goods.
- Advocate for and monitor the adoption process of the US Western Balkans Democracy and Prosperity Act, which



aims to promote increased trade and investment between the United States and Western Balkan countries.

Facilitate integration of businesses into regional and global supply chains and support their entry into new markets

Integrating businesses into regional and global supply chains allows them to access larger markets, increasing their customer base and revenues. This integration generates job opportunities and improves the skills and qualifications of the local workforce, positively impacting the country's economic growth. Furthermore, businesses can enhance their competitiveness through exposure to international best practices and advanced technologies, making the country more attractive to foreign investors. However, integration is a challenging process as it requires strong support from the policymakers, adhering to high sustainability standards and creating a conducive customs and tax environment.

Actions:

- Collaborate with relevant stakeholders, such as chambers of commerce, to encourage and support companies in adopting Environmental, Social, and Governance (ESG) standards in their business operations by providing incentives, financial assistance, and technical support.
- Provide support to companies regarding the responsibilities arising from the EU Sustainable Corporate Due Diligence Directive and collaborate with chambers of commerce to offer guidance and resources, ensuring businesses understand and comply with the directive's requirements.
- Transpose the Corporate Sustainability Reporting Directive into national legislation to provide companies with the conditions to evaluate their sustainability performance.
- Streamline customs procedures to reduce barriers to trade by lowering customs tariffs, aligning them with European Union standards, simplifying documentation requirements, and implementing fast-track clearance procedures.
- Ensure the effective utilization of Double Taxation Agreements by simplifying the claim procedures for businesses, regularly reviewing and updating existing agreements to keep them relevant and effective, and conducting campaigns and training sessions to provide clear guidelines on the benefits and provisions.
- Proactively negotiate and conclude new Double Taxation Agreements with key trade and investment partners such as Greece, one of North Macedonia's top five export

destinations, and initiate negotiations with the United States to reinforce economic ties.

- Implement targeted training programs to enhance the skills of local businesses in areas such as international trade regulations, sustainable topics, logistics, and supply chain management, in collaboration with educational institutions and industry experts, to support business to enter foreign markets.

Gradually opening the labor market to foreign workers and thoroughly improve the system

The country faces significant labor shortages, exacerbated by high emigration rates. Alongside the critical need for structural changes in the labor market, such as ongoing investments in education and training for the local workforce, integrating foreign workers can help address these immediate shortages. However, significant bureaucratic challenges, procedural ambiguities, authorities' inconsistent interpretations, and delays in obtaining work visas, permits, and residency for foreigners create an exhausting process for businesses. Additionally, the government determines annual quotas for work permits in December for the following year, which is impractical for the business sector as they cannot incorporate these quotas into their work plans accordingly. Gradually opening the labor market to foreign workforces and enhancing related overall structural procedures will create a more balanced and robust labor market that will allow businesses to maintain and potentially expand their production levels.

Actions:

- Gradually increase the quotas for work permits allocated to foreign workers, focusing initially on sectors with the most significant labor shortages as well as create a dynamic and flexible annual quota system that can be easily adjusted based on economic needs and labor market trends.
- Simplify the processes for obtaining work permits for foreign workers, making them more efficient and less burdensome for both employers and foreign workers by improving transparency, reducing documentation requirements, shortening processing times, and enabling full electronic submission of documents.
- Conduct a review of existing bilateral social security agreements and consider establishing new ones (e.g., with the USA) to enhance social security rights for foreign workers from countries lacking such agreements, as well as develop and implement protocols for existing agreements to simplify procedures and ensure proper recognition of foreign documents for referred workers.

- Establish support clubs or centers at the municipality level for mutual networking, social integration, and further training of the foreign workforce.
- Create a database of registered agencies for mediating foreign labor employment, with the obligation to transparently publish their mediation conditions.
- Regularly perform comprehensive analyses of the current foreign workforce state, including the number of workers currently engaged, the types of work they perform, the countries they come from, and the duration of their engagement, to guide future actions and policies.

Invest in infrastructure that supports trade facilitation

As a landlocked country, the country relies heavily on efficient transportation networks to facilitate trade and connect with neighboring markets. The lack of determination to timely complete vital road infrastructure projects, such as highways, adversely affects the movement of goods and services, thereby impacting the economy. Additionally, the deterioration of alternative transportation means, such as railways, limits the country's connectivity and competitiveness. Upgrading and expanding both road and rail networks will reduce transit times, lower costs, and enhance access to international markets.

Actions:

- Accelerate the completion of critical road infrastructure projects.
- Modernize and expand the existing road network to improve connectivity between key economic zones, main transportation points, and border crossings.
- Enhance the rail infrastructure to increase capacity, speed, and reliability for freight transport, prioritize connections with major trading partners.
- Engage in Public-Private Partnerships to leverage private sector expertise and investment in developing and managing trade infrastructure projects, as it will contribute to faster implementation and better management of infrastructure projects.
- Collaborate with neighboring countries to develop cross-border infrastructure projects that will reduce bottlenecks and improve the flow of goods across borders.