

The clear waters of Investment.

By: Claire Quinn

As a result of a growing interest in Macedonia's investment potential, a number of international companies have started operations in the country, both as greenfield projects and through different types of asset acquisition and privatization. Some of the significant foreign investors include Johnson Matthey (UK), Mobilkom Austria (Austria), EVN (Austria), T-Home (Germany), Societe Generale (France), Johnson Controls (USA) and the National Bank of Greece. Foreign Direct Investment in Macedonia totalled 598m USD in 2008.

Taking a closer look at Macedonia, figures for investors stand up well - 10% corporate & personal income tax, amongst the lowest in Europe and 0% tax on retained earnings. The country has double taxation treaties with many European countries and as of November 2009 a change in the Law on Technological Industrial Development Zones (TIDZs) allows 0% personal income tax for the first ten years. This change equalizes personal income tax and profit tax, completely freeing investors for ten years. Real estate taxes sit at 2% - 5% and VAT at 18%, with 5% on specific items. Macedonia also holds Free Trade Agreements with EU, EFTA, and CEFTA countries; with Turkey and the Ukraine providing access to over 650m customers. In addition 45% of the population are aged under 30, many of whom carry high intellectual capital. The country has seen a 35% increase in total number of undergraduate degrees in 2007 and each city hosts multiple vocational high schools. Key to Macedonia's current success is the level and extent of spoken foreign languages. Every child in Macedonia begins to learn English in the first grade of primary school and two foreign languages are mandatory in high school.

This small but powerful country has not gone unnoticed in recent years and was awarded Best Consecutive Reformer in South-Eastern Europe based on the World Bank's 'Doing Business Report' 2008, 2009 and 2010. Forbes Magazine also placed it as '5th Most Tax Friendly Country

in the World' in 2009.

The Macedonian Economy could be perceived as small but its talent base and diversity make for extremely attractive investment potential. Investors can choose from textiles, construction and petrochemicals but four key sectors have been identified as having the most investment and/or export potential.

Information Communications Technology:

The Macedonian Information Technology market has marked a record growth in recent years in the Adriatic region, up 63.8% in 2007, to almost \$164 million. Hardware is the largest and most dynamic segment, with a striking yearly growth of 88.3%, taking up nearly three-quarters of the total IT market. IT services is the second largest segment, comprising 16% of the total IT expenditure, with a 22.6% rise in 2007, whereas packaged software is in third place comprising 10% of the total market, with a 15.2% yearly growth rate. Record growth is owed to large investments by the government and telecommunications companies, continued spending in the financial sector, a decrease in the price of IT equipment, and a decrease in VAT for the equipment.

Automotive Components Sector:

Existing component manufacturers in Macedonia supply to the European, Russian, Turkish and African markets, amongst others. Investors in Macedonia can freely export to a market of over 650 million people. The automotive industry in these markets is particularly buoyant as global players over the last ten years have invested over €20 billion in car manufacturing in Central and Eastern Europe alone, and further investment is anticipated. Macedonia's closeness to the rapidly growing automotive manufacturing base in Central and Eastern Europe and Turkey - which have become a regional superpower in the automotive industry - makes it an ideal location. The geographical proximity to these markets allows low

distribution costs and "just-in-time" product delivery from Macedonia.

Healthcare Products:

Macedonia has a well-established pharmaceutical industry supplying products to over 30 countries in the region and beyond. Exports from the sector have more than doubled in the past ten years from €14 million in 1998 to over €30 million today. There are almost 1,600 people employed in pharmaceutical manufacturing. Products manufactured are primarily finished generic products. Some of the companies have developed ties to international companies and manufacture under license.

Agribusiness and Food Processing:

The agribusiness and food processing sector is traditionally one of the strongest sectors of Macedonia's economy. The Government views its development as one of its strategic priorities, and is ready to commit substantial support for trade and investment in the sector. Macedonia's EU accession process will involve substantial technical assistance and investment support funds dedicated to the sector. The sector's numerous competitive advantages include a unique combination of Continental and Sub-Mediterranean climates, environmentally friendly production practices, sound food processing technologies, highly qualified labour available throughout the rural areas, very good access to regional markets and a reputation for quality food products.

Those wishing to investigate further can also take advantage of the government's Agency for Foreign Investments of the Republic of Macedonia, a one-stop-shop and project management bureau that facilitates foreign businesses' entry into the country. Amongst a wealth of advice they can also provide links to local and central Governments, VIP Investment tours, location searches and registered facilities such as HR, construction, real estate and tax advisory companies. **NEE**