

# North Macedonia is on the fast lane

**Last year's agreement between Skopje and Athens regarding the name issue ended a twenty-year dispute that blocked Macedonia's integration into NATO and the European Union. Foreign direct investment, coupled with private and public domestic entrepreneurship, will have a crucial role to play in achieving this goal.**

**N**orth Macedonia must now rise to the challenge of unlocking the country's full potential for economic development based on its solid basis and excellent investment opportunities. The central importance of integration into NATO and the process of EU accession negotiations cannot be overestimated this regard; other countries' experiences show that the inflow of FDI as a percentage of gross domestic product (GDP) typically doubles following NATO membership and the commencement of EU accession negotiations, both widely seen as indicative of a stable and secure investment climate.

Indeed, increases in FDI inflows were already observed in the last quarter of 2018 fol-

lowing the deal with Greece. North Macedonia received EUR 624 million in FDI last year, corresponding to 5.9 percent of GDP, or double the average of the previous five years.

In line with its strategic priorities, the government in Skopje has proclaimed 2019 to be the 'year of the economy'; I expect stronger FDI inflows this year because the political situation has stabilised, and the government can be expected to continue improving the business environment on a domestic level so the country becomes more competitive in its region. Despite significant political turbulence in recent years, North Macedonia has been ranked tenth in the World Bank's 2019 Doing Business Index.

The country has introduced one of the most attractive tax packages in Europe: 0% tax on retained earnings, 10% corporate income tax, 10% – 18% personal income tax, sales tax on real estate and rights of 2% to 4%, property tax of 0.1% to 0.2%, and VAT at 18% (5% on specific items). North Macedonia is a signatory to five trade agreements – EFTA, CEFTA, and the SAA (Stabilisation and Association Agreement) with EU member states, Turkey, and Ukraine. Furthermore, it has signed double taxation agreements and investment protection treaties with many European countries. The 'one

stop shop' system enables investors to register their businesses a mere four hours after submitting their application.

## **The process by which North Macedonia could accede to the EU**

The EU accession process is not a competition: rather, it is about implementing reforms that protect the rule of law and guarantee a better future for citizens. In order to reap the maximum benefits of this process, North Macedonia must continue its current trend of strengthening the rule of law and its judicial systems, building capable public institutions, endowing people with high-quality, relevant skills and giving them a good education, fostering companies' capabilities for adopting new technology, enhancing trade links and value chain integration, promoting competition and encouraging agricultural modernisation.

Focusing on when the country is 'starting the EU accession process' introduces a discourse that incentivises reforms, rather than emphasises their implementation as the ultimate goal of European integration. I am very optimistic that North Macedonia will be able to realise its potential now that the name dispute is settled, and I believe that the country will soon commence negotiations to join the EU. ■



**Arlind Zeqiri M.A.**

Of Counsel and Member of the Senior Expert Council at LANSKY, GANZGER + Partner