



Thematic
analysis/diagnosis:
**Trade &
competitiveness**

Executive Summary

The thematic area Trade and Competitiveness provides an overview of the country's trade policy, its holders, characteristics and trade flows within the selected period of time. At the same time, a review was made on the competitiveness of the Macedonian economy, the stakeholders and factors that define it, while focusing on the most important issues that need to be addressed in this area. Special attention is paid to the legal and strategic framework, as well as to the available data. In addition, the thematic area intersects with several interdisciplinary areas (social inclusion; good governance; disaster risk management and crisis resilience building; digitalisation and innovation; gender equality and human rights-based approach). In the preparation of the analysis for trade and competitiveness, the methods of consultation of stakeholders, as well as consultation of relevant documents were used. The analysis includes a summary of the consultations with the stakeholders, as well as the conclusions and recommendations for the further development of the National Development Strategy.

The main findings of the analysis show that the Republic of North Macedonia is characterized by high level of trade openness and low level of competitiveness of the domestic industry. Over 77% of the total foreign trade in 2021 was realized with the countries with which the Republic of North Macedonia has signed free trade agreements. Most of the trade is done with the EU and CEFTA countries. The FDI in the country has a dominant role in Macedonian exports and imports, however, domestic companies are not significantly involved in their supply chains and added-value chains. The use of the opportunities offered by trade liberalization by domestic companies is conditioned by their competitiveness which is not at an enviable level. In the Global Competitiveness Report 2019, the Macedonian national economy was ranked 82nd out of 141 countries. The main problems in terms of competitiveness are low productivity and low innovation rate.

It is characteristic that the country does not currently have formally defined trade and competition policies that would provide guidance for the future activities of the country. The main issues of trade policies worldwide are the non-tariff barriers, trade facilitation, strengthening the mechanisms for measuring the effects of free-trade agreements, as well as regulating trade in services and promoting international e-commerce in the domestic economic subjects.

On the other hand, the legal and strategic framework for competitiveness is very comprehensive, but the key document, the Competitiveness Strategy 2016-2020, is no longer valid. The primary issues to pay special attention to are labor productivity, structural transformation of the domestic industry in favor of sectors that produce higher value added, raising the rate of innovation and technological development in the country and encouraging new investments – both domestic and foreign. Also, great attention should be paid to education and its reform in all educational cycles in order for students to acquire knowledge that provides greater employability in the labor market.

The issues specified above need to be addressed when (re)designing both policies (trade and competitiveness), and coordination is very important in their implementation in order to ensure high

effects of the available resources. In that context, the most important role should be played by the Ministry of Economy. Taking into consideration the fact that the domestic market is small, export orientation of Macedonian companies is key to growth and development, which indicates the need to combine the competitiveness policy with foreign trade policy. However, it is necessary to harmonize with other economic areas, as indicated in the recommendations of this thematic analysis.