

MACEDONIA AND ITS ECONOMIC AND INVESTMENT POTENTIALS

SURVEY OF THE COMMITTEE ON EASTERN EUROPEAN ECONOMIC RELATIONS

and

**GERMAN TECHNICAL COOPERATION
DEUTSCHE GESELLSCHAFT FÜR TECHNISCHE ZUSAMMENARBEIT (GTZ) GmbH**

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TABLE OF CONTENTS

LIST OF FIGURES.....	4
PART I. OVERVIEW	6
PART II. KEY FINDINGS AND RECOMMENDATION	7
PART III. METHODOLOGY	9
I. Aim of the survey	9
II. Research method.....	9
III. Design of the questionnaire and the analysis	9
IV. Response rate	10
PART IV. GENERAL INFORMATION OF THE RESPONDENTS	11
V. Summary	11
VI. Location in Germany.....	11
VII. Small and medium-sized enterprises (SMEs)	12
VIII. Branches	13
IX. Target markets.....	14
X. Exports of sales	17
PART V. INTERNATIONAL ACTIVITIES	18
XI. Summary	18
XII. International locations	18
XIII. International investments	19
PART VI. CONDITIONS REGARDING THE LOCATION OF MACEDONIA.....	21
XIV. Summary	21
XV. Economic situation of Macedonia	22
XVI. Macedonia as business location.....	22
XVII. Macedonia as a market to export to	23
XVIII. Macedonia as a market to import from	23
XIX. View of the current economic situation	24
XX. View of the economic prospects of the country	25
XXI. Respondents' engagement in Macedonia.....	25
XXII. Investment behaviour	30
PART VII. MACEDONIA'S INVESTMENTS' CONDITION VS. SATISFACTION	31
XXIII. Summary	31
XXIV. General Factors	33
1. Importance of the category "general factors" regarding possible investment decisions	33
2. Satisfaction with the general framework in Macedonia	34
XXV. Economic factors	35

1. Importance of economic factors regarding possible investment decisions.	35
2. Satisfaction with the economic factors in Macedonia.....	36
XXVI. Financial factors.....	37
1. Importance of the category “financial factors” regarding possible investment decisions.	37
2. Satisfaction with the financial framework in Macedonia	37
XXVII. Market factors	39
1. Importance of market factors regarding possible investment decisions.....	39
2. Satisfaction with the category “market factors” in Macedonia.....	40
XXVIII. Trade factors.....	41
1. Importance of the category “trade factors” regarding possible investment decisions	41
2. Satisfaction with category “trade factors” in Macedonia	42
XXIX. Resource factors.....	43
1. Importance of the category “resource factors” regarding possible investment decisions.....	43
2. Satisfaction with the resource factors in Macedonia.....	43
XXX. Others.....	44
 PART VIII. MACEDONIA IN INTERNATIONAL COMPARISON	 45
XXXI. Summary.....	45
XXXI. Macedonia’s attractiveness in comparison to other SEE countries	46
 IX. ANNEX I	 47
XXXII. GENERAL INFORMATION OF THE RESPONDENTS	47
XXXIII. INTERNATIONAL ACTIVITIES	51
XXIV. CONDITIONS REGARDING THE LOCATION OF MACEDONIA	52
 X. ANNEX II	 55

LIST OF FIGURES

Figure 1: "Does your company have any business location in Germany?"	11
Figure 2: "Where in Germany is your business located?"	12
Figure 3: Definition of enterprises regarding the European Commission	13
Figure 4: Branches of the companies	13
Figure 5: Q "Which target market do you have in economic terms?"	14
Figure 6: distribution of the companies by branches engaged in the supplier or the consumer market	15
Figure 7: distribution of the companies by branches engaged in the supplier and consumer market	16
Figure 8: "In case you are exporting, please specify the export destination by stating the percent of exports out of the total exports in 2008"	17
Figure 9: Number of employees in international locations	18
Figure 10: Q "Is your company planning to invest internationally?"	19
Figure 11: Q "Please state in which of the following regions/ countries your company is planning an international engagement!"	19
Figure 12: importance of Non - SEE states concerning possible future	20
Figure 13: Q "How would you assess the extent of your knowledge of the economic situation of Macedonia?" ..	22
Figure 14: Q "How would you assess the extent of your knowledge of Macedonia as a business location?"	22
Figure 15: "How would you assess the extent of your knowledge of Macedonia as a market to export to?"	23
Figure 16: Q "How would you assess the extent of your knowledge of Macedonia as a market to import from?" ..	23
Figure 17: Q "What is your view of Macedonia's current economic situation?"	24
Figure 18: Q "How do you view Macedonia's economic prospects for 2009 as compared to 2008?"	25
Figure 19: Q "Is your company cooperation with a trade partner in Macedonia?"	26
Figure 20: Q "What is the status of the Macedonian partner in the trade cooperation?"	26
Figure 21: Q "In which region of Macedonia is your company involved?"	27
Figure 22: Q "In which branch is your company engaged in Macedonia?"	27
Figure 23: value and outlook for the trade cooperation with a Macedonian partner	28
Figure 24: value and outlook for the companies' development in 2009	29
Figure 25: Q "Has your company invested in Macedonia?"	30
Figure 26: Q "Does your company plan to invest in Macedonia?"	30
Figure 27: importance of general factors regarding possible investment decisions	33
Figure 28: satisfaction with general factors in Macedonia	34
Figure 29: importance of economic factors regarding possible investment decisions	35
Figure 30: satisfaction with the economic factors in Macedonia	36
Figure 31: Importance of financial factors regarding possible investment decisions	37
Figure 32: satisfaction with financial criteria in Macedonia	38
Figure 33: importance of market factors regarding possible investment decisions	39
Figure 34: satisfaction with market factors in Macedonia	40
Figure 35: importance of trade factors regarding possible investment decisions	41
Figure 36: satisfaction with trade factors in Macedonia	42
Figure 37: Importance of the category resource factors in Macedonia	43
Figure 38: satisfaction with resource factors in Macedonia	44
Figure 39: Macedonia's attractiveness as a place of investment, as a supplier market and as a consumer market	46
Figure 40: Q "For how long has your company been operating?"	47
Figure 41: Q "How many people does your company employ in Germany?"	47
Figure 42: Q "What was your company's turnover in 2008?"	48
Figure 43: Q "What was your company's total asset in 2008?"	48
Figure 44: target market in geographical terms	49
Figure 45: target market in geographical terms concerning SEE EU states	49
Figure 46: target market in geographical terms concerning SEE EU states	50
Figure 47: export of sales in 2008	50
Figure 48: Q "Does your company have any business locations in any other countries besides Germany?"	51
Figure 49: Q "What is the trade volume with the Macedonian partner in the overall trade volume of your company?"	52

Figure 50: Q "During which period does your company plan to invest in Macedonia?"	52
Figure 51: Macedonia's attractiveness concerning investment in international comparison.....	53
Figure 52: Macedonia's attractiveness as supplying market in international comparison.....	53
Figure 53: Macedonia's attractiveness as consumer market in international comparison.....	54

PART I. OVERVIEW

The Committee on Eastern European Economic Relations conducted a survey on Macedonia's economic and investment potentials in February and March 2009. The survey is based on the cooperation between the Committee on Eastern European Economic Relations and the Gesellschaft für Technische Zusammenarbeit (GTZ). The aim of the survey was to analyse the level of awareness of German companies concerning the Macedonian economy and its potentials, the investment possibilities as well as interests of the German business community.

The survey mainly focused on the knowledge of Macedonia and the framework of economic and financial engagement. The target group of the survey includes the members of the Committee on Eastern European Economic Relations as well as companies on the Committees' specific contribution list on South East Europe. Due to the involvement of the GTZ project for investment and export promotion (GTZ IEP) in promoting exports in the selected branches of IT/ telecommunication, textile and garments, and automotive suppliers, the GTZ has laid a special focus on these areas. In addition, the associations BITKOM (IT/ telecommunication), German Fashion (textile industry) and the Association of the Automotive Industry, VDA, (automotive industry) also sent the questionnaire to their member companies.

The following pages present the summary of the information gathered on a basis of a standardised questionnaire. A total of 50 companies have returned the questionnaire so far. All participants were assured of data privacy protection. The summarised results provide solid basis for recognising key tendencies concerning the topics as well as for recommendations for further practice.

PART II. KEY FINDINGS AND RECOMMENDATION

None of the actors with a business engagement in Macedonia accepts the given framework in the country. They suggest that the Macedonian government needs to stress its utmost importance to implement further reforms in order to attract FDI.

CONCLUSION 1

The basis of the described results is the survey “Macedonia and its economic and investment potentials” which was conducted by the Committee on Eastern European Economic Relations in cooperation with the Gesellschaft für Technische Zusammenarbeit (GTZ) in spring 2009. The target group of the survey were the members of the Committee on Eastern European Economic Relations (app. 100 members) and the recipients of the Committees’ specific list of South East Europe (at least 1.000 actors). Due to the GTZ IEP project focus on the IT/ telecommunication, textile and garments industry and automotive industry, the associations BITKOM, German Fashion and the Association of the Automotive Industry have also passed on the questionnaire to their members. A total of 50 actors returned the questionnaire. Furthermore, 36 companies let the researcher know that they were not going to answer the questionnaire due to different reasons.

The Committee on Eastern European Economic Relations is convinced that all actors interested in Macedonia have returned their answers. In order to that the presented analysis can be regarded as tendency concerning the interest in the country.

CONCLUSION 2

Most of the respondents concentrate themselves on the countries of the European Union. The states of SEE get very little attention in this context. Within the countries of the SEE Non-EU states Macedonia does not attract much interest.

CONCLUSION 3

In spite of the global financial and economic crisis 50 percent of the respondents of the German business community are still interested in international investments. Most of them are planned for the EU countries of SEE, Slovenia, Bulgaria and Romania. Some respondents take also an interest in specific Non-EU countries of SEE, especially Serbia and Croatia. There is only a very limited amount of actors who might make investments in Macedonia.

CONCLUSION 4

Companies engaged in Macedonia (or the broader region of SEE in general) feel comfortable with their extent of knowledge regarding the country. But a great amount of actors are not aware about the economic possibilities and chances of the country. Additionally, a lot of actors consider the effects of the global financial and economic crisis on the current economic situation and its prospects as very negative.

CONCLUSION 5

The branches of IT/ telecommunications, textile industry and automotive industry are usually considered as areas with higher export potential. The survey has shown that companies which have economic commitments in Macedonia are rarely engaged in these branches. It might be interesting to put more emphasis on branches like energy, tourism and agriculture which might be financially and economically

rewarding. Additionally, there is a geographical concentration on the main towns and the Western part of the country. Despite of that there should be laid more attention to the Eastern part of the country and its specific potentials such as for the branch of agriculture and food business.

CONCLUSION 6

The economic forecast for companies engaged in Macedonia can be described as mixed as some actors are convinced about their economic improvement and other enterprises are negative about their economic future in Macedonia.

CONCLUSION 7

The Macedonian business environment has improved in the last few years. It is suggested that there is a strong link between progress in transition and economic growth but the results show that Macedonia still needs to address certain fundamental structural reforms.

The Macedonian authorities need to be committed to further improving the business environment, especially those factors which could attract more investors. The main obstacles of the Macedonian labour market are structural problems connected with inefficient privatisation and administration, weak institutions, especially a weak judiciary and a lack of adequate education.

CONCLUSION 8

Macedonia's economic framework compared to the markets of the other SEE countries is referred to in neutral terms. But it is suggested to promote and implement further national as well as regional strategies to develop a market more attractive to further FDI.

PART III. METHODOLOGY

I. Aim of the survey

The aim of the accomplished survey can be seen in determining the level of awareness of German companies regarding the economic prospects and the investment climate in Macedonia, as well as in identifying possible future perspectives concerning the achieved results.

The chosen research method was a standardised questionnaire which was developed by the Committee on Eastern European Economic Relations in cooperation with the GTZ.

II. Research method

The applied standardised questionnaire consists of a number of questions the respondent had to answer in a pre-set format. It was decided to use closed-end questions where the respondents had to choose an answer from a given number of options, meaning open-end questions were not considered.¹

The questionnaire included various means to gather information:

- (a) "Yes/ no – questions" – to provide only two ways of answering. The answer "perhaps" was sometimes included.
- (b) "Questions of classification" – i.e.: "How many employees does your company have in Germany"?
Given possibilities to answer:

Less than 10	<input type="checkbox"/>
10 – 49	<input type="checkbox"/>
50 – 100	<input type="checkbox"/>
101 – 249	<input type="checkbox"/>
250 – 500	<input type="checkbox"/>
More than 500	<input type="checkbox"/>
None	<input type="checkbox"/>
- (c) "Questions with a specified scale measurement": 1 – 3, 1 - 5, 1 – 6

To further support the achievement of most accurate responses, the design of the questionnaire presents a chain of questions ranging from the least to the most sensitive, from the factual and behavioural to the attitudinal, and from the more general to the most specific question.

III. Design of the questionnaire and the analysis

The questionnaire is divided into six different parts. This structure aims at the specific and detailed gathering of information:

- (a) PART II of this presentation: Business information of the questioned actor: i.e.: 'Does your company have any business location in Germany?'
- (b) PART III: International operation of the questioned actor: i.e.: 'Does your company have any business location in any other countries apart from Germany?'
- (c) PART IV: Conditions regarding Macedonia: (1) (political and economic) knowledge about Macedonia and (2) the actors' involvement in the country

¹ The latter would be more appropriate for a study in more depths such as a survey on actors already engaged in Macedonia and their degree of satisfaction in the country.

- (d) PART V: investments' conditions vs. satisfaction with these conditions in Macedonia: a comparison of the importance of given criteria regarding the location of investment decisions and the satisfaction of these criteria concerning the actors' involvement in Macedonia.
- (e) PART VI: Macedonia in international comparison

The analysis is structured in a similar way as the questionnaire to assess the main features of each aspect of interest. It includes analysis of the respondents' background in Germany, their international engagement, the extent of their knowledge concerning Macedonia as well as recommendations on possible future projects.

IV. Response rate

The target group of the survey were the members of the Committee on Eastern European Economic Relations (at least 100 companies) and the recipients of the Committees' specific list of South East Europe with approximately 1.000 members. At least 1.100 actors were contacted by the Committee on Eastern European Economic Relations. Fifty companies have returned the questionnaire and 36 actors sent a message, saying that they were either not interested in Macedonia, the region, or had other reasons not to answer the questions in detail. The latter were all again contacted by telephone in order to explain that being an exporter to/importer from Macedonia, SEE, or having already invested in Macedonia was not a precondition for being able to answer the given set of questions. Apart from that, between 150 and 200 phone calls were made to other actors which had received the questionnaire but had not answered the form yet.

Additionally to the Committee on Eastern European Economic Relations, the associations BITKOM, German Fashion and the Association of the Automotive Industry have passed on the questionnaire to their members. These associations were chosen with regard to the GTZ IEP focus on IT/telecommunication, textile industry and automotive industry.

The Committee on Eastern European Economic Relations cannot reconstruct whether the members of the three associations have responded the questionnaire. In order to that the Committee on Eastern European Economic Relations emanates its results from a response rate of 86 answers (50 have returned the questionnaire and 36 have refused a specific answer). Taking only into account the response rate of the returned questionnaires, the numerical participation is the equivalent of five percent of the questioned actors.

Regarding the survey's subject in the context of the current global market crisis, the Committee on Eastern European Economic Relations is convinced that the given response rate, respectively the high amount of unanswered questionnaires, can yield a very accurate measurement. It seems highly probable that most of the actors who are engaged and/or interested in SEE, specifically in Macedonia have answered.

PART IV. GENERAL INFORMATION OF THE RESPONDENTS

V. Summary

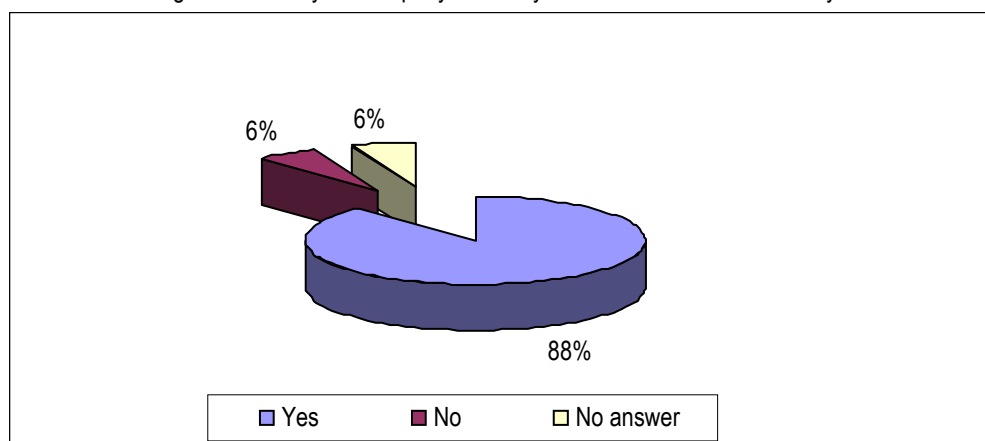
The following chapter gives an overview of the general data of the respondents of the survey:²

- Eighty eight percent of the respondents have a **business location** in Germany, especially in the German lands of North-Rhine Westphalia, Lower Saxony, Baden-Wurttemberg and Bavaria. These results also represent a tendency of the distribution of the German business community in geographic terms.
- Most of the respondents cannot be classified as **SMEs** as defined by the European Commission: Twenty seven companies can be characterised as large-scale companies with more than 250 employees, a total turnover of 50 Mio. EUR or more and/or a total asset of 50 Mio. EUR or more.
- The majority of actors work in the **branches** of mechanical engineering, building and construction industry, consulting, energy and IT/ telecommunication. Only a limited number of companies see itself engaged in the branches of automotive industry, textile industry and wholesale and retail. This result would be different, if the members of the associations BITKOM, Germany Fashion and the Association of the Automotive Industry had answered.
- A lot of the companies define their **geographical market** as placed within the European Union (without SEE countries), followed by the CIS and the SEE-countries. The SEE Non-EU states get the least attention. Nevertheless, Croatia and Serbia are considered as the most important target states within the latter group, followed by Macedonia and BiH.

VI. Location in Germany

Figure 1 shows that most of the respondents (44 actors/ 88 percent) have their main **business location** in Germany, whereas the main business location of only three companies (6 percent) is situated abroad. Three actors (6 percent) have not responded to the question.

Figure 1: "Does your company have any business location in Germany?"

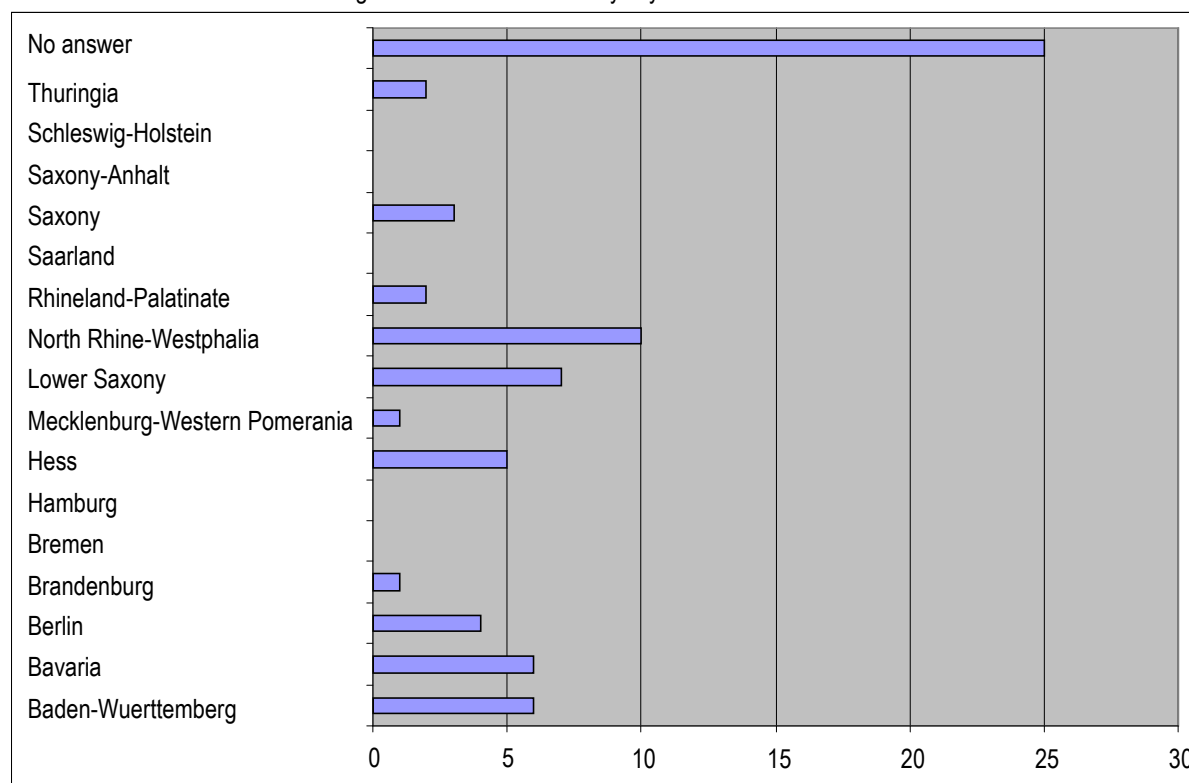


Most of the companies with a business location in Germany have their main **location in the German lands** of North Rhine-Westphalia (10 companies), followed by Lower Saxony (7 companies) and Baden-Wuerttemberg as well as Bavaria with each 6 companies.

² It is important to note that the results can only show a tendency due to the high percentage of unreturned questionnaires.

Twenty five companies have not given an answer regarding their specific business location, as shown in figure 2. Considering that 3 actors do not have business locations in Germany, a total of 22 companies with business location in Germany have not given a profound answer to this question.

Figure 2: "Where in Germany is your business located?"



It can be assumed that nearly all questioned companies can be regarded as consolidated actors in the economic sphere. Figure 40 (cf. Annex) illustrates that most actors (43 actors/ 86 percent) have been economically engaged for more than 10 years whereas only four companies (8 percent) have been existing for 5 – 10 years or even less than 5 years (2 actors/ 4 percent).

VII. Small and medium-sized enterprises (SMEs)

Following the definition of the European Commission, companies are defined by the amount of employees, annual turnover and annual assets. Depending on the results, companies are subdivided into the 3 categories **(a) micro enterprises**, **(b) small and medium-sized enterprises (SMEs)** and **(c) large-scale enterprises**.³

³ In addition, SMEs are further subdivided into small and medium sized enterprises depending on their amount of employees, their annual turnover and/ or their total asset. Companies are classified as small enterprises with more than 10 but fewer than 250 employees, an annual turnover between 2 Mio. EUR and 10 Mio. EUR, and annual total assets between 2 Mio. EUR and 10 Mio. EUR. However, this sub-classification will not be taken into consideration in this analysis.

Figure 3: Definition of enterprises regarding the European Commission

kind of enterprise	Amount of employees		Annual turnover (Mio. EUR)		Annual total asset (Mio. EUR)
Micro enterprises	< 10	and	≤ 2	or	≤ 2
SMEs	< 250	and	≤ 50	or	≤ 43
Large-scale enterprises	> 250	and \geq	≥ 50	or	≥ 50

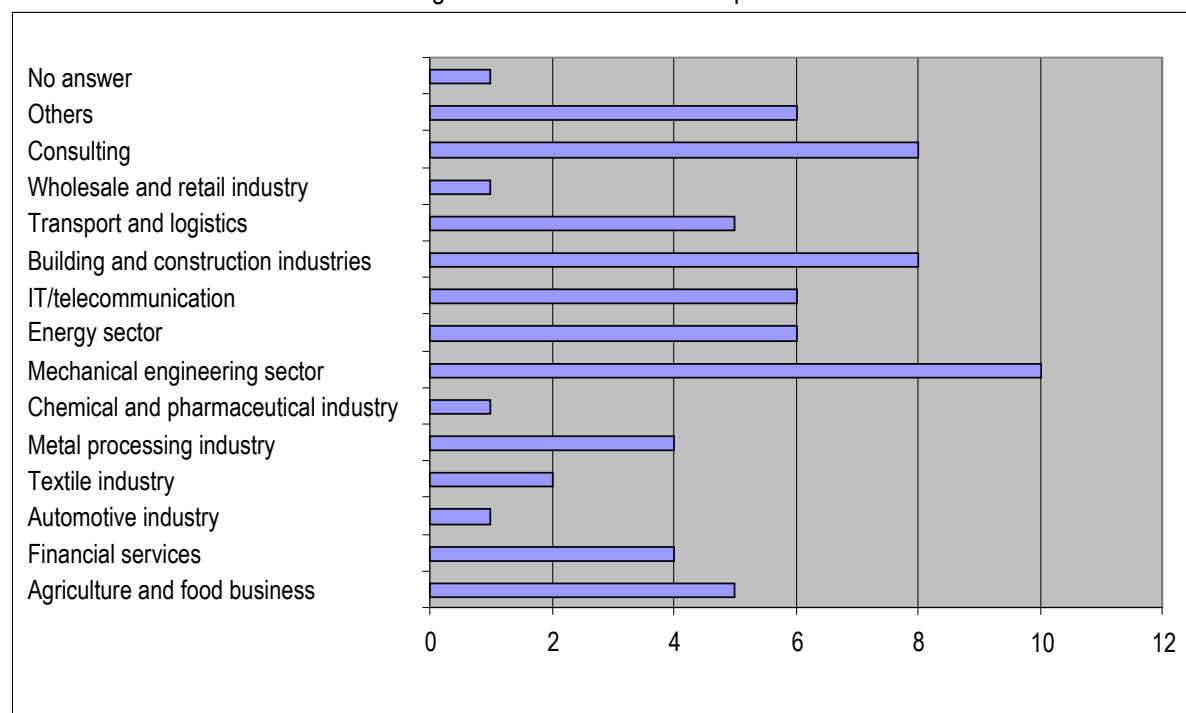
Figures 41, 42 and 43(cf. Annex) show that out of a total of 50 companies only 39 can be classified regarding the given classification, due to the rather simple fact that the respective companies have either not answered the questions concerning the amount of employees and/or the annual turnover and/or the total asset: 1 company can be considered as micro enterprise, 10 companies can be classified as SMEs, without making a distinction between small enterprises and medium-sized enterprises, and 27 companies can be defined as large-scale companies. Only 1 company can be classified neither as micro enterprise (more than 11 employees) nor as SME (less than 2 Mio. EUR annual turnover in 2008 and less than 2 Mio. EUR annual total asset in 2008).

VIII. Branches

In the present survey the data has been classified according to the economical branches. Companies have also been asked to quote their major branch in case they are involved in more than one branch. According to figure 4 most of the surveyed companies work in mechanical engineering (10 actors), followed by building and construction industries (8 actors), consulting (8 actors), and the energy sector (6 actors) and IT/telecommunication (6 actors). However, companies are also involved in agriculture and food business (5 actors), transport and logistics (5 actors), financial services and the metal processing industry (4 each). Six companies are active in different fields than the given ones, and one company has not given a precise answer.

Branches like the automotive industry (1 actor), the textile industry (2), chemical and pharmaceutical and wholesale and retail industry (1 each) are not much represented.

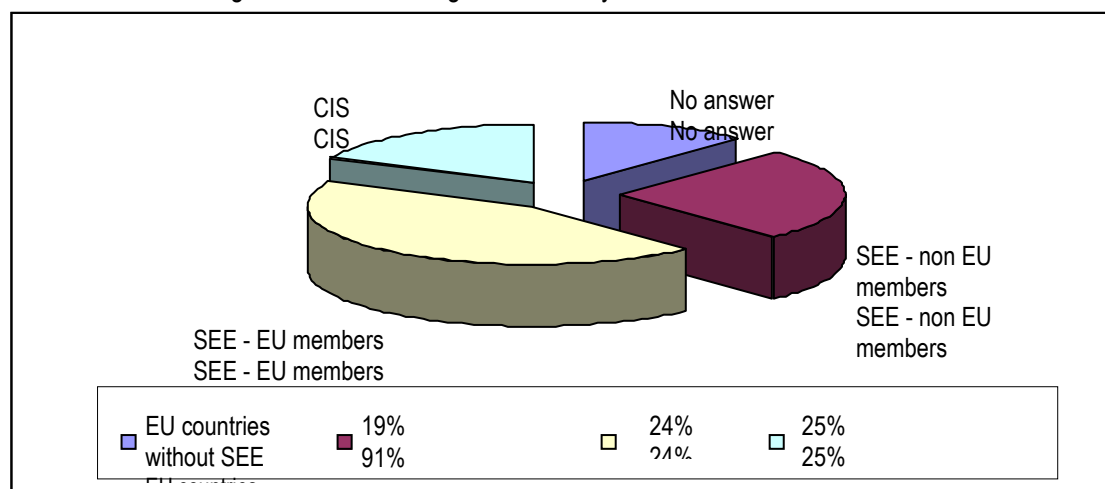
Figure 4: Branches of the companies



IX. Target markets

Asking for the **target market in economic terms**, companies were given the opportunity to define their engagement either in the field of suppliers market and/ or consumer market. Although they have been asked to quote their major target market in economic terms, most companies have given more than one answer: Out of 50 surveyed companies, 22 companies (44 percent) operate in the suppliers market, while 9 (18 percent) are oriented towards the consumer market. Thirteen actors (26%) see themselves engaged in both markets; six companies (12 percent) have not made any specification.

Figure 5: Q “Which target market do you have in economic terms?”



A total of 31 actors (62%) have committed itself either to one or the other target market in economic terms. A closer look at their classification of branches within the respective markets reveals the following results:

Twenty two actors who see the market of suppliers as their target market in economic terms are operating in the building and construction industries (5), energy sector (5) others (5), agriculture and food business (3), IT/ telecommunication (2), textile industry (2), consulting (1), retail industry (1), mechanical engineering sector (1) and automotive industry (1). One actor did not give a precise answer. It is important to note that 5 companies have identified more than just one branch in this specific category which explains the amount of 27 actors in graph 6. As already described above, this is due to the fact that 5 actors work in several branches.

Nine actors of the above identified 31 companies identify their target market as consumer market. Figure 6 shows the following results: energy sector (2), mechanical engineering sector (1), metal processing industry (1), automotive industry (1), agriculture and food business (1), consulting (1) and others (3). Two of the nine companies have also identified their engagement in various branches which is important to note regarding the 10 mentioned actors in figure 6.

Figure 6: distribution of the companies by branches engaged in the supplier or the consumer market

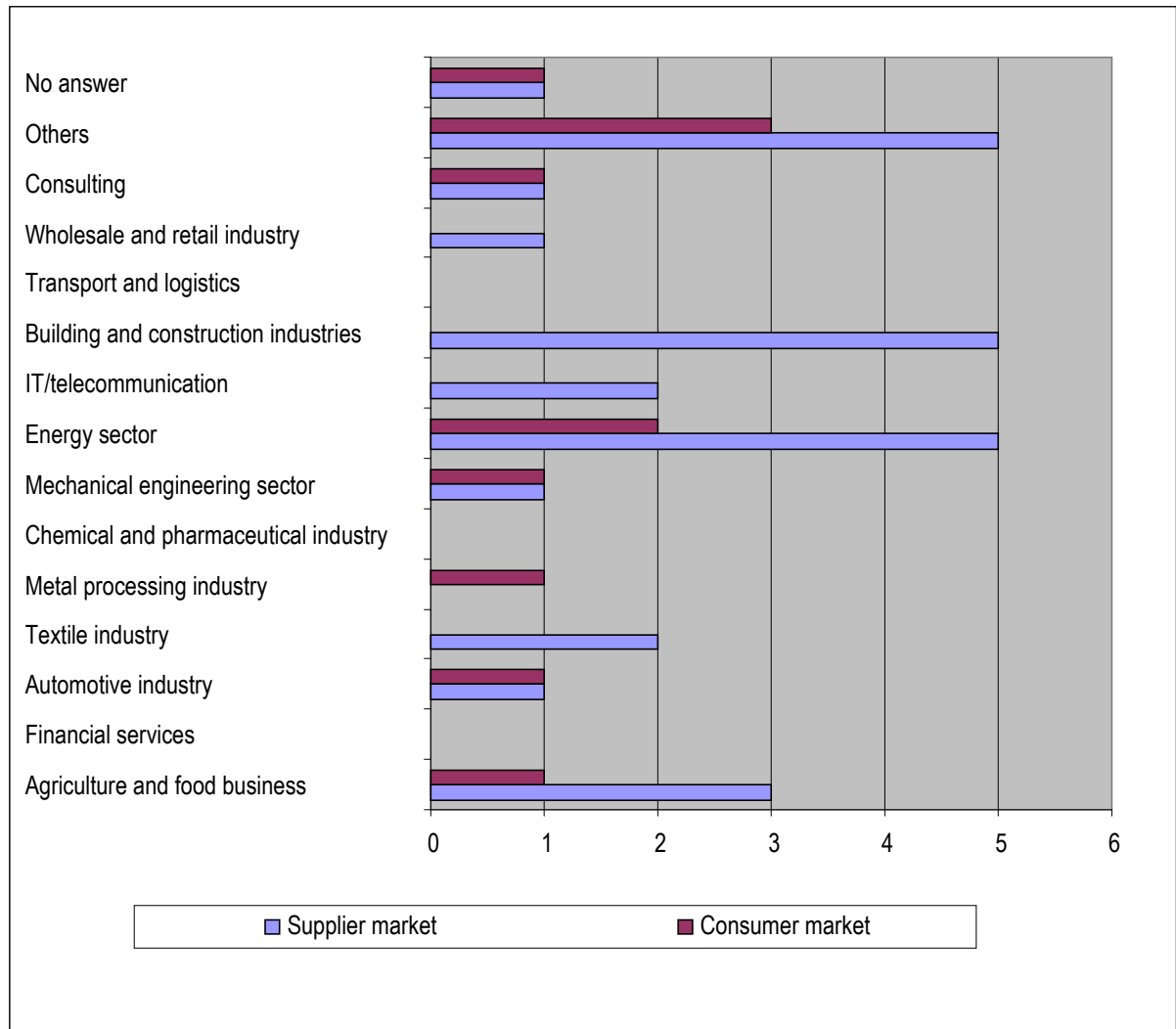
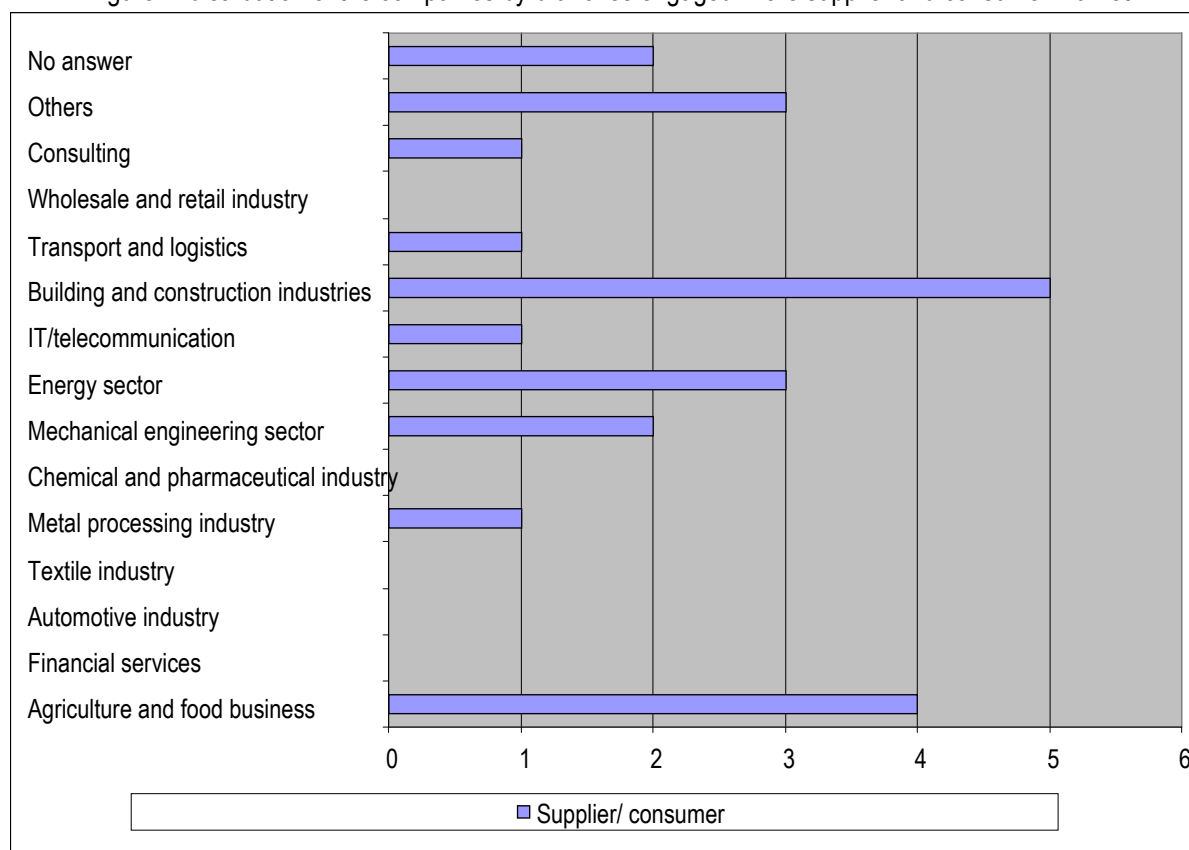


Figure 7 presents that 26 percent of the actors (13) have identified the supplier as well as the consumer market as their target market in economic terms. A more detailed look at figure 7 shows that 10 actors are busy in more than one branch. This matter leads to the following results: building and construction industries (5), agricultural and food business (4), energy sector (3), mechanical engineering sector (2), metal processing industry (1), IT/ telecommunication (1), transport and logistics (1), consulting (1) and others (3). Two companies have not given a precise answer.

Figure 7: distribution of the companies by branches engaged in the supplier and consumer market



The **geographical target markets** have been divided into 4 sections: (a) European Union without the states of SEE (EU), (b) the Commonwealth of Independent States (CIS), (c) the EU countries of SEE and (d) the Non-EU countries of SEE. Furthermore, the sections (c) and (d) were subdivided into their appropriate countries, namely Bulgaria, Romania and Slovenia as part of the SEE EU countries, and Albania, Bosnia-Herzegovina (BiH), Croatia, Macedonia, Kosovo, Moldova, Montenegro and Serbia as SEE countries not belonging to the EU.

In this context, the respondents have been asked to rate the importance of the mentioned states by inserting the numerical value starting with "1" for the most important and ending with "13" for the least important one.

In order to analyse the different priorities of each respondent, the returned data was averaged over. Please refer to the annex (figure 44, 45 and 46, cf. Annex) for a more detailed analysis. Generally spoken, the results show the following ranking, starting with "1" as the most important and ending with "4" as the least important target market:

1. EU states without the countries of South East Europe
2. CIS
3. SEE EU-countries

4. SEE Non-EU states

A closer look at the category of SEE EU countries reveals a bigger concentration on Romania than on Bulgaria or Slovenia.

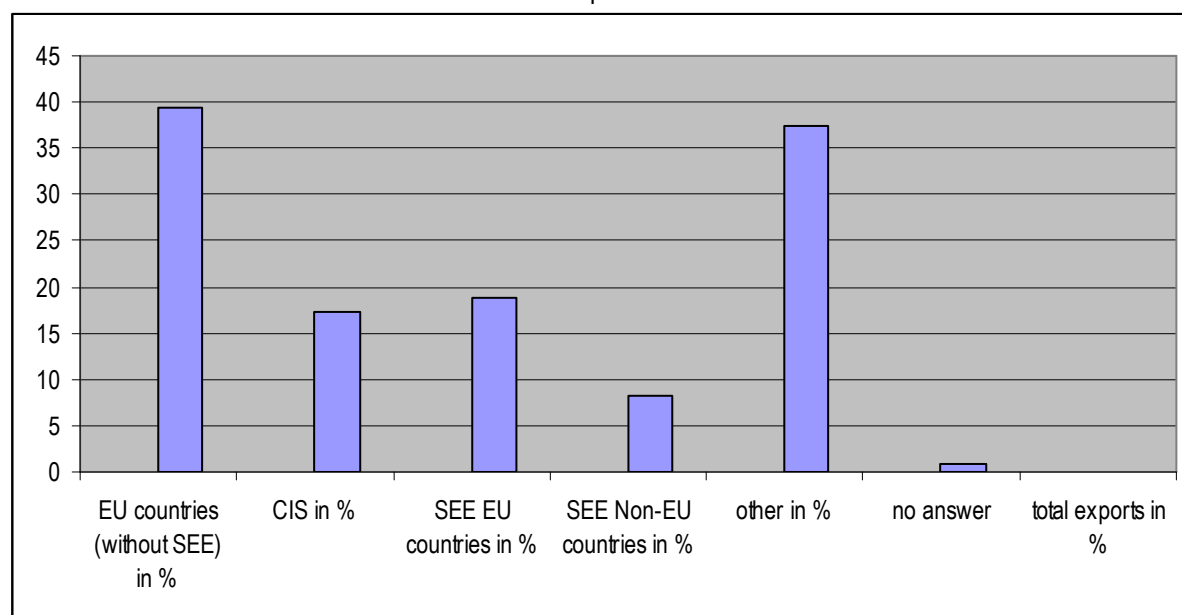
The category (d) of the SEE Non-EU countries does not follow the clear determination of the former category. Croatia and Serbia have attracted almost equal attention as geographical target markets. BiH and Macedonia seem to be less important than the former, whereas Albania, Kosovo and Moldova have reached the least rating.

X. Exports of sales

Asking for the **export of sales** in 2008, 36 respondents have provided their data. Due to the fact that 5 of the 36 actors have not given a precise value (i.e. > 90 or between 10 and 15) the mean of export sales in 2008 (51,34) could only be averaged out of 31 companies.⁴

Because of either imprecise answers or no response, the respondents' data has also been averaged concerning the geographical dimension in the context of export sales in 2008. Figure 8 shows that ca. 39 percent of the exports went to states of the European Union (without SEE) and 33 percent of the exports went to Non-EU countries. A percentage of 17,4 was exported to the CIS and 18,8 percent to SEE EU countries. Only 8,3 percent were exported to the SEE Non-EU states.

Figure 8: "In case you are exporting, please specify the export destination by stating the percent of exports out of the total exports in 2008"



⁴ Please refer to figure 47 in the annex for a more detailed overview.

PART V. INTERNATIONAL ACTIVITIES

XI. Summary

The following chapter represents the results of the respondents' international activities:

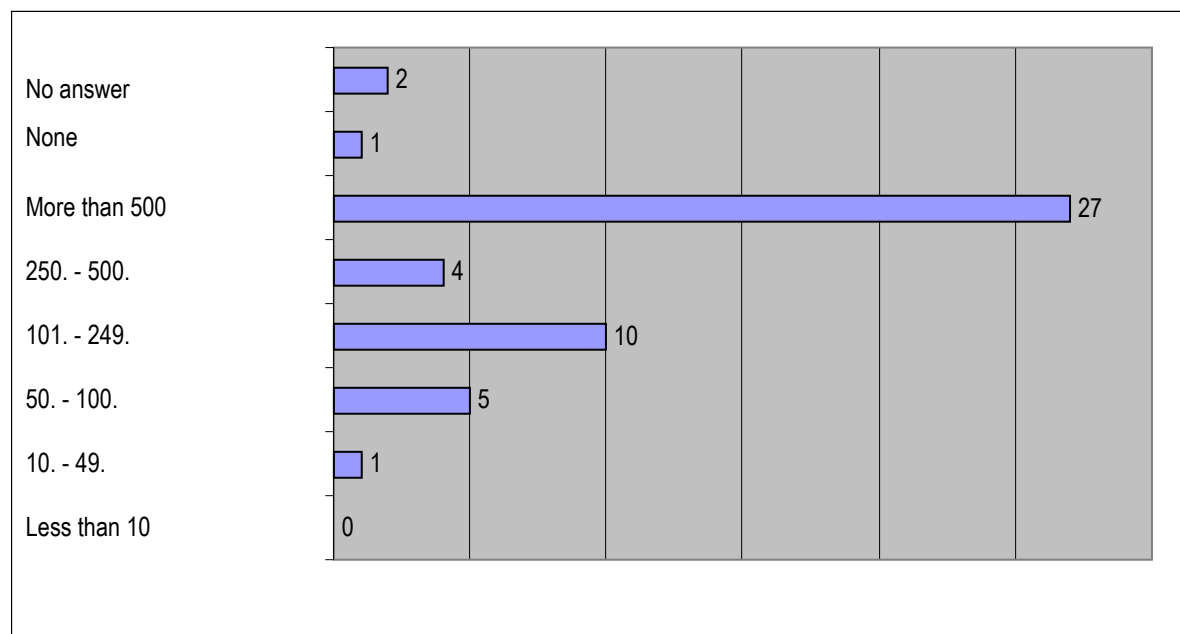
- Most of the respondents work internationally. Due to the structure of the questionnaire, it cannot be given a precise scale of country's importance worldwide. The emphasis was laid on the countries of the European Union, the SEE EU countries as well the SEE Non-EU countries.
- Fifty four percent of the actors employ more than 500 people additionally to their employees in Germany. Twenty percent of the enterprises have between 101 and 249 **employees** additionally to their company's staff in Germany.
- More than half of the enterprises plan **international investments**. Nearly 30 percent negate a planned investment internationally which might also be due to the current global financial and economic crisis.
- Although it was pointed out earlier that the geographical target market of most respondents can either be seen within the EU countries (without SEE) and the CIS, the majority of investments are planned for the SEE EU states, especially Romania and the SEE Non-EU States, particularly Serbia, Croatia and Macedonia.

XII. International locations

Most of the respondents have business locations in other countries than Germany. Please refer to the annex for a detailed overview.⁵

Figure 9 shows that a total of 27 companies engage more than 500 employees in international locations. Ten companies employ between 101 – 249 persons, 4 enterprises have between 250 and 500 employees and only 1 company employs between 10 and 49 persons. There is no respondent engaged internationally who has less than 10 employees. Two actors have not returned a precise answer to this question.

Figure 9: Number of employees in international locations

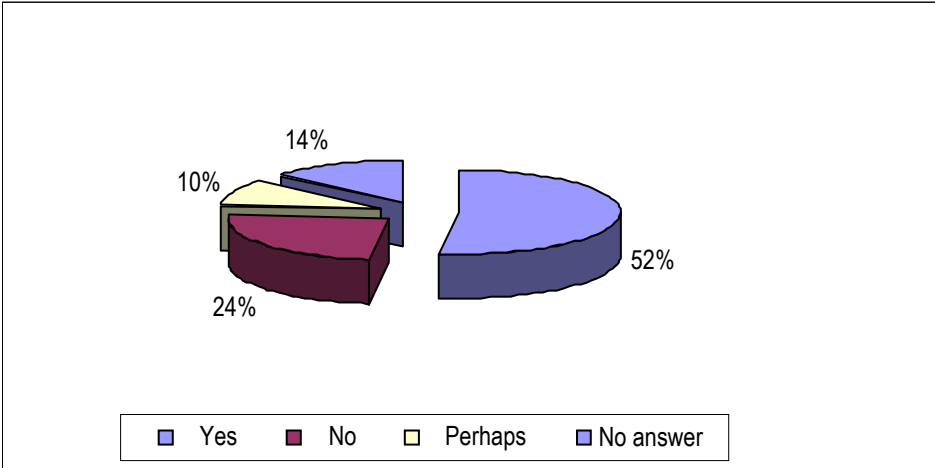


⁵ Please refer to figure 48 of the annex.

XIII. International investments

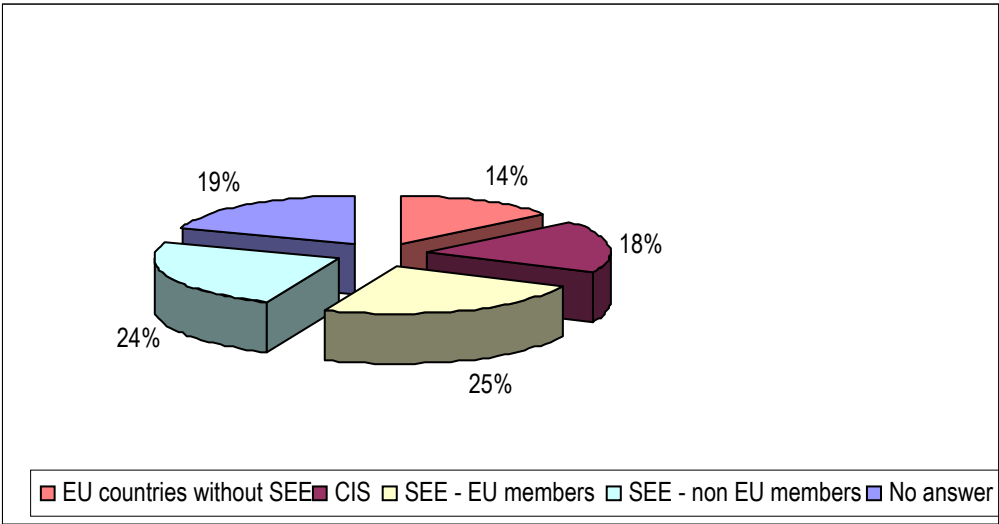
Twenty six companies (52 percent) of the analysed actors are planning to invest internationally whereas 24 percent negate a possible investment in international terms. It may be assumed that some of the negative answers have to be seen in the context of the current global financial and economic crisis.

Figure 10: Q "Is your company planning to invest internationally?"



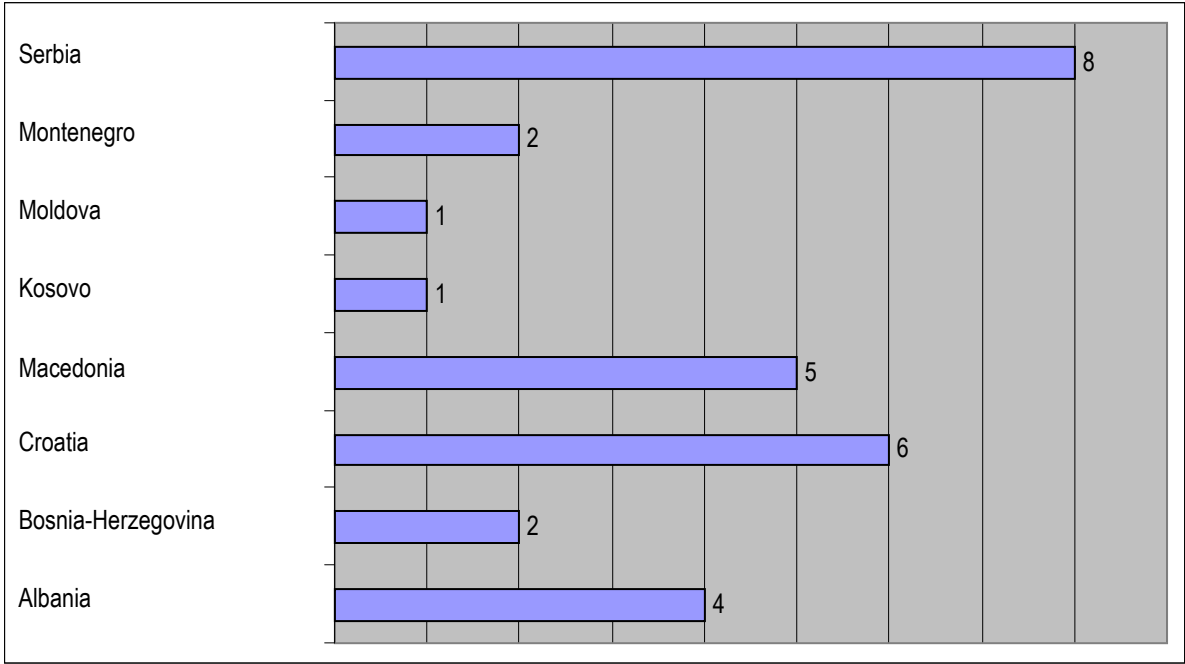
Taking figure 11 into consideration it can be seen that 49 percent (26 companies) of the companies which intend to invest internationally are planning their international engagement either in SEE – EU member states (in total 25 percent distributed as 52 percent in Romania, 34 percent in Bulgaria and 14 percent in Slovenia) or in SEE-Non EU member states (24 percent). Fourteen percent of the respondents are planning to invest internationally within the EU member states (without SEE) and 18 percent are interested in investments in the CIS.

Figure 11: Q "Please state in which of the following regions/ countries your company is planning an international engagement!"



Most of the internationally planned projects within the region of SEE Non-EU states are designed for Serbia (8), Croatia (6), Macedonia (5) and Albania (4).

Figure 12: importance of Non - SEE states concerning possible future



PART VI. CONDITIONS REGARDING THE LOCATION OF MACEDONIA

XIV. Summary

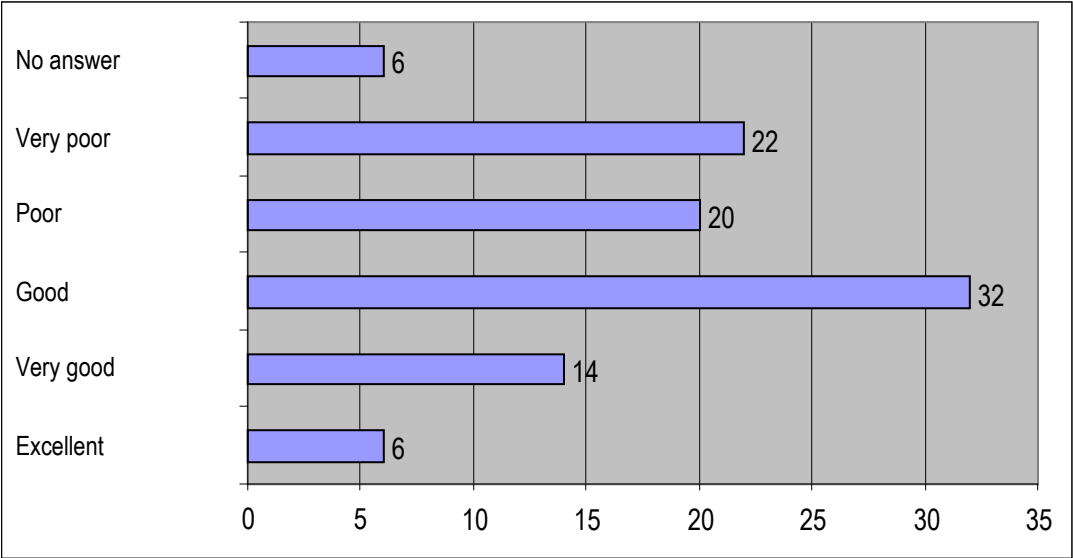
The chapter gives an overview of the Macedonian condition considering Macedonia as a business location. The chapter is divided into two parts: (a) the extent of knowledge regarding the country and (b) the respondents' activities in Macedonia:

- The investors' outlook, taking into account the very limited amount of German actors engaged in the country, seems to be prosperous. Sixteen percent of the analysed companies have investment plans regarding Macedonia for the next four years.
- The respondents claim that they value the extent of their knowledge regarding the general economic situation of Macedonia as rather large, although it deteriorates when one asks for the extent of their knowledge concerning Macedonia as an export as well as an import market. Most actors think the degree of their knowledge can be seen as neutral or poor.
- A lot of enterprises use the opportunity not to reply to questions as they judge the extent of their knowledge as too little in order to give any appropriate answer. Despite of this fact, companies reply that they value the current economic situation of Macedonia as good, although most of them tend to see deterioration in 2009 compared to 2008. This might be seen in the context of the current global financial and economic crisis.
- The overwhelming majority of respondents declare its view on Macedonia's current economic situation (10: poor; 4: very poor) and its prospects for 2009 compared to 2008 (14 poor; 4 very poor) as negative. These results have to be seen in the context of the current global financial and economic crisis.
- There is only a very limited number of actors engaged in Macedonia. Some of them have trade partners who are engaged either as supplier or as consumer. Most of the companies have set up their business in the towns of Skopje, Bitola, and Ohrid or in the Western part of the country in general. This might be due to the given infrastructure and the high importance of the Valley of Vardar, where Skopje is situated.
- Regarding to the companies engagement in Germany, most of the enterprises busy in Macedonia are not engaged in the branches of the automotive industry or textile industry. Companies see their economic target market in the branches of transport and logistics, in the energy sector, in the sector of mechanical engineering, building and construction as well as agriculture. Considering these results it is of utmost importance to rethink any possible strategy that will focus on the above mentioned branches.

XV. Economic situation of Macedonia

More than half of the respondents (52 percent) consider the extent of their knowledge regarding the Macedonian economic situation to be rather large. Within this group 6 percent of the companies see their knowledge as excellent, 14 percent as very good and 32 percent as good. Forty two percent of the respondents judge their knowledge regarding the economic situation of Macedonia as less good (poor: 20 percent; 22 percent: very poor/). Three respondents (6 percent) have not given an answer.

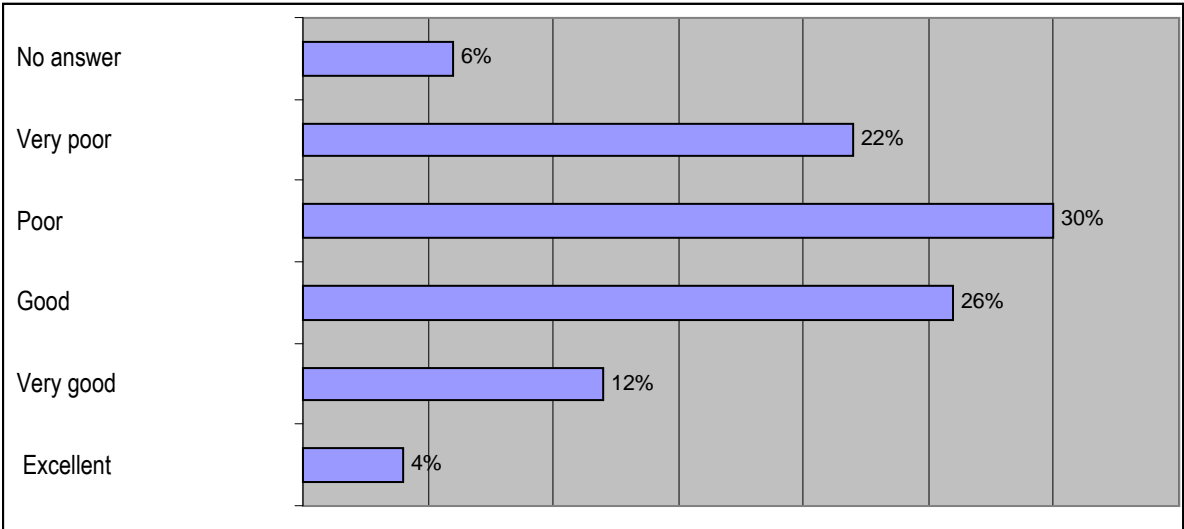
Figure 13: Q "How would you assess the extent of your knowledge of the economic situation of Macedonia?"



XVI. Macedonia as business location

Forty two percent (21 actors) of the respondents judge the extent of their knowledge considering Macedonia as a location for investment as fairly large (2 actors: excellent; 6 actors: very good and 13 actors: good), whereas more than half of the companies see their knowledge in this context as poor (15 actors) or even very poor (11 actors). Three respondents (6 percent) have not answered the question.

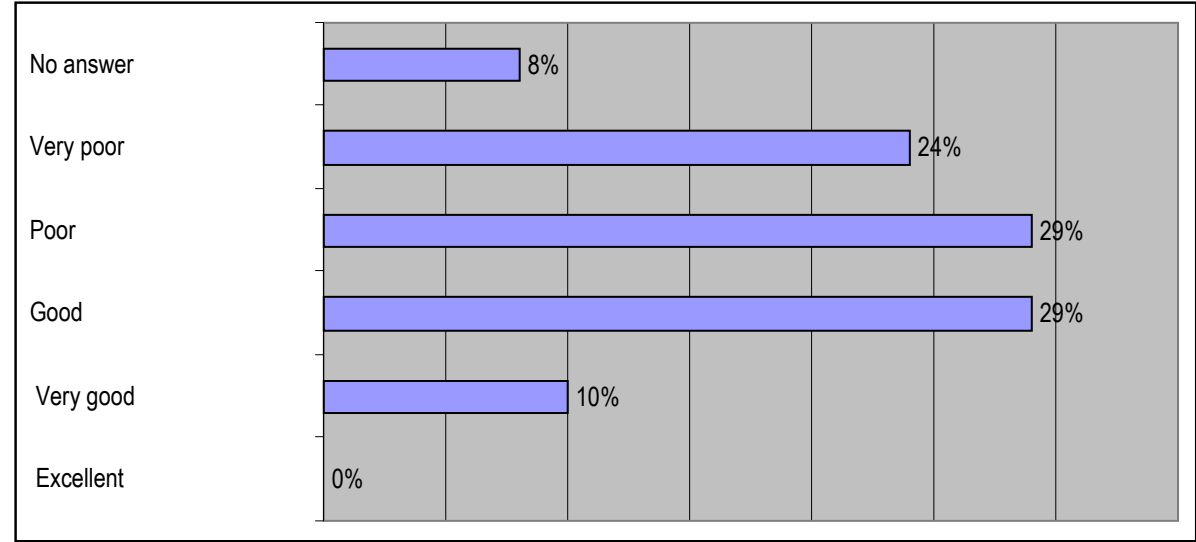
Figure 14: Q "How would you assess the extent of your knowledge of Macedonia as a business location?"



XVII. Macedonia as a market to export to

The results shown in figure 15 should be seen in connection with the data mentioned above: 29 percent of the respondents (14 actors) have assessed their extent of knowledge concerning Macedonia being a market to export to as good, and the same amount of actors have classified their knowledge in this field as poor. Ten percent (5 respondents) regard their extent of knowledge as very good and no one sees the extent of their knowledge as excellent. By contrast, however, 24 percent of the actors (12) think that they have a very poor knowledge of Macedonia as export market.

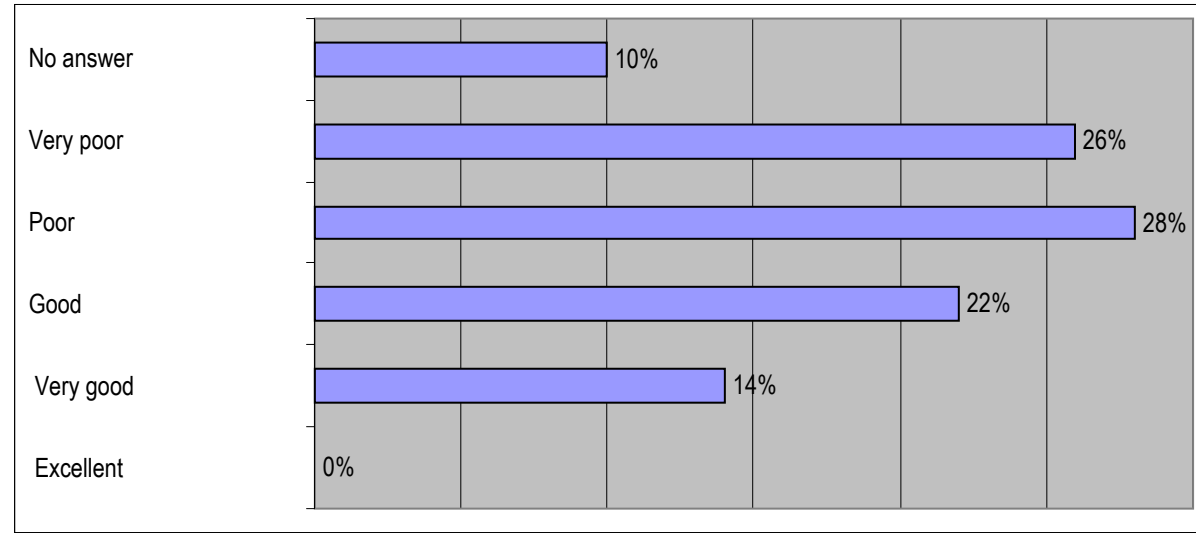
Figure 15: "How would you assess the extent of your knowledge of Macedonia as a market to export to?"



XVIII. Macedonia as a market to import from

The above illustrated data differs only little from the results shown in the figure below: Twenty eight percent (14 actors) of the respondents regard the extent of their knowledge of the country as market to import from as poor and only 1 actor less (26 percent) estimates their knowledge as very poor. As already described above nobody has assessed their knowledge as excellent, only 14 percent regard their knowledge as very good, 11 actors (22 percent) see it as good.

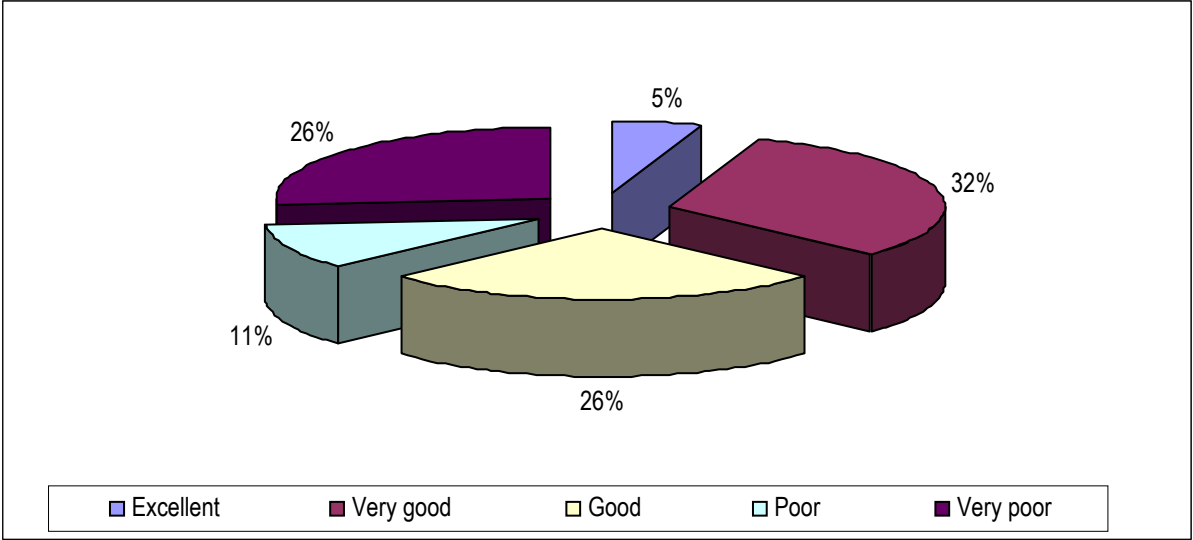
Figure 16: Q "How would you assess the extent of your knowledge of Macedonia as a market to import from?"



XIX. View of the current economic situation

Most of the respondents did not give an answer concerning the question “What is your view of Macedonia’s current economic situation?” Forty percent (20 actors) used the option to refuse an answer as their knowledge is too little to give a precise answer. Twelve actors (24%) think that Macedonia’s current economic situation is good and 10 companies (20%) regard the situation as poor. None of the respondents is convinced that the economy of the country is very good or even excellent.

Figure 17: Q "What is your view of Macedonia's current economic situation?"



XX. View of the economic prospects of the country

The results of figure 18 are similar to the data of figure 17: 44 percent of the respondents (22 actors) do not consider themselves able to give a precise answer to the question due to their limited extent of knowledge of Macedonia and its economic situation. Only 10 percent (5 actors) regard the economic prospects of Macedonia for 2009 as good compared to 2008, but 28 percent (14 respondents) see it as poor and 8 percent (4 actors) even as very poor. But it has to be highlighted that 1 actor (2 percent) who is engaged in the country thinks that there is going to be a very good improvement of Macedonia's prospects in 2009 compared to 2008.

Figure 18: Q "How do you view Macedonia's economic prospects for 2009 as compared to 2008?"



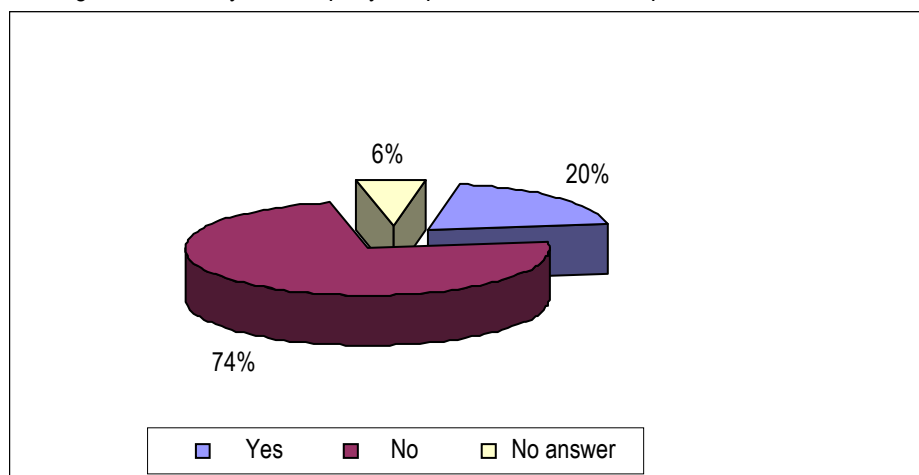
*The knowledge of Macedonia is too low to give a precise answer.

The results of the questions taking the respondents' view regarding the current economic situation and their view of Macedonia's outlook for 2009 should be considered in the context of the current global financial and economic crisis, in addition to the rather small knowledge of Macedonia and its economy as well as its prospects.

XXI. Respondents' engagement in Macedonia

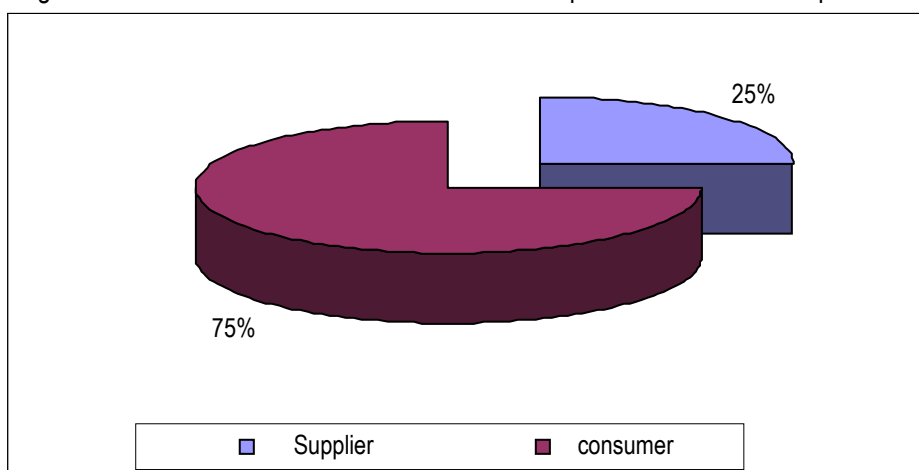
Taking into consideration the results concerning the geographical target market, the returned data on whether companies are engaged in Macedonia, as illustrated in figure 19, is no surprise. Only 3 respondents (6 percent) have not answered the question, but the vast majority of 37 actors (74 percent) have stated that they do not have any trade partner in Macedonia. Nevertheless, 10 companies (20 percent) cooperate with Macedonian trade partners and it would be worth to analyse their degree of business satisfaction separately.

Figure 19: Q "Is your company cooperation with a trade partner in Macedonia?"



Only 8 out of 10 respondents who have affirmed the former question returned an answer. Therefore, to that figure 20 presents only the companies which have trade relations: 60 percent as consumers, 20 percent as suppliers and 20 percent with no answer.

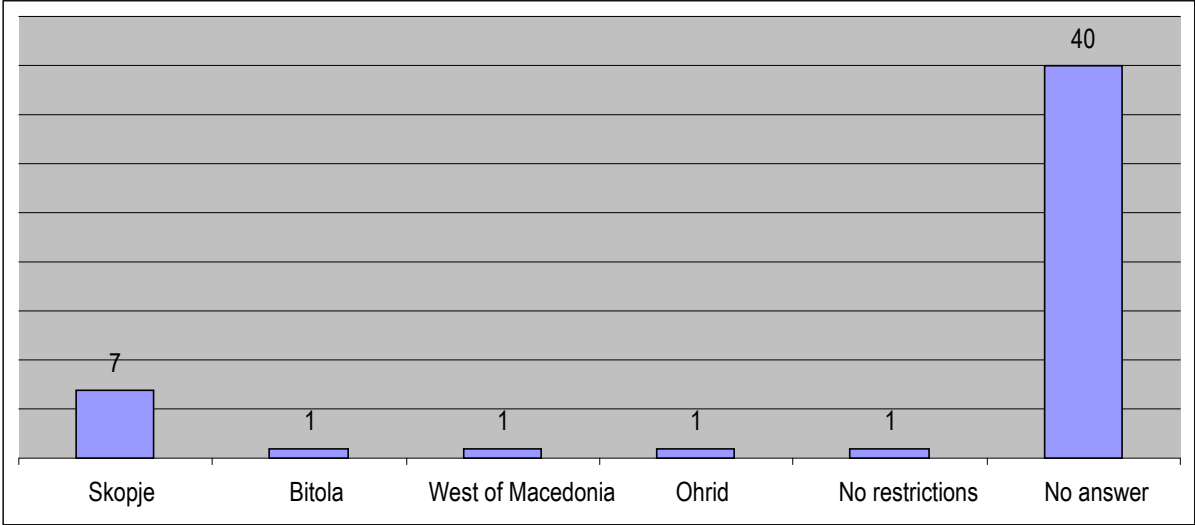
Figure 20: Q "What is the status of the Macedonian partner in the trade cooperation?"



Although it was stated above that only 10 companies are **cooperating with a trade partner** Macedonia, 11 have given an answer to the question presented in figure 21. This might be due to the fact that one actor has not given a precise answer to the former question. Nevertheless, different **geographical concentrations** can be observed in the towns of Skopje (7), Bitola (1) and Ohrid (1) (thereof, one company is active both in the region of Skopje and the region of Ohrid). One actor is engaged in the Western part of the country and 1 respondent does not have any restrictions for his/her business. Due to this 11 answers (11 actors) are presented in figure 20.

This geographical emphasis is to be explained in the course of the development of Skopje, Bitola and Ohrid. Skopje, the capital of the country, is the biggest city of Macedonia, situated along an important hub: the town can be seen as the Northern entrance to the Vardar valley. The Valley of Vardar is often referred to as the most important connection between the North and the South of SEE. The transport system (motorway, railway) is regarded as the shortest (and perhaps most economic) part of the Pan-European Corridor X.

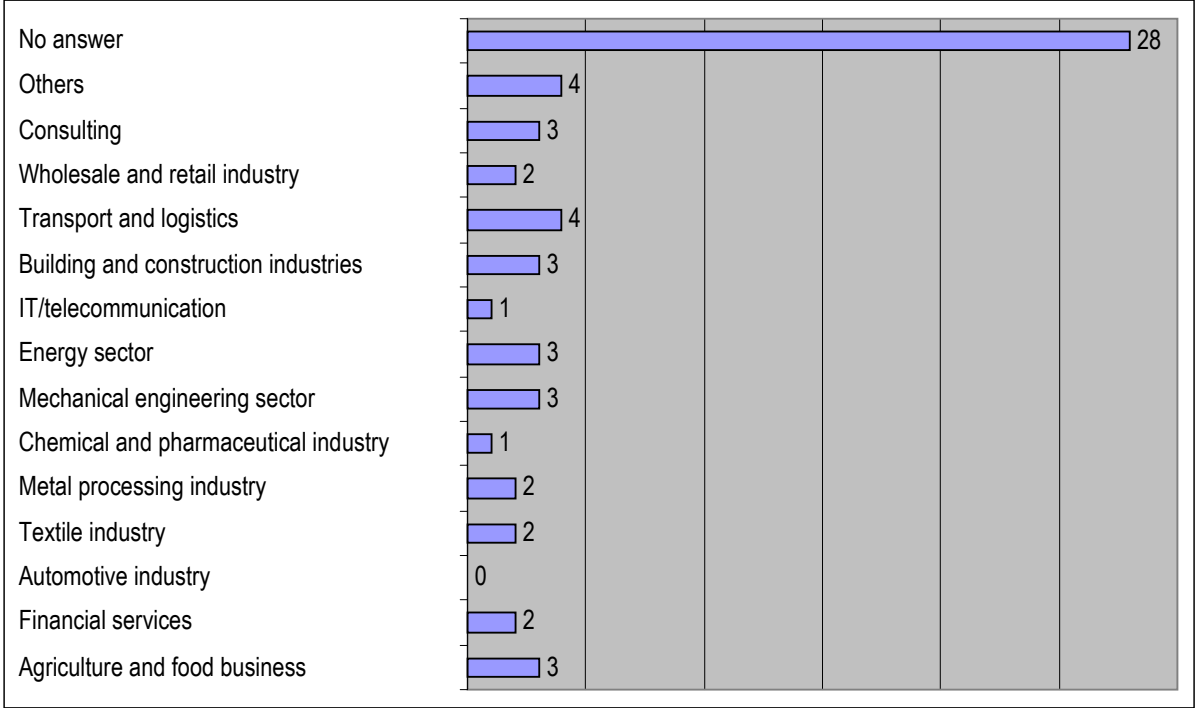
Figure 21: Q "In which region of Macedonia is your company involved?"



A total of 22 respondents have classified their **branch of engagement in Macedonia** as illustrated in figure 22. It has to be highlighted that the branches IT/ telecommunication, textile industry and automotive are not very much represented.

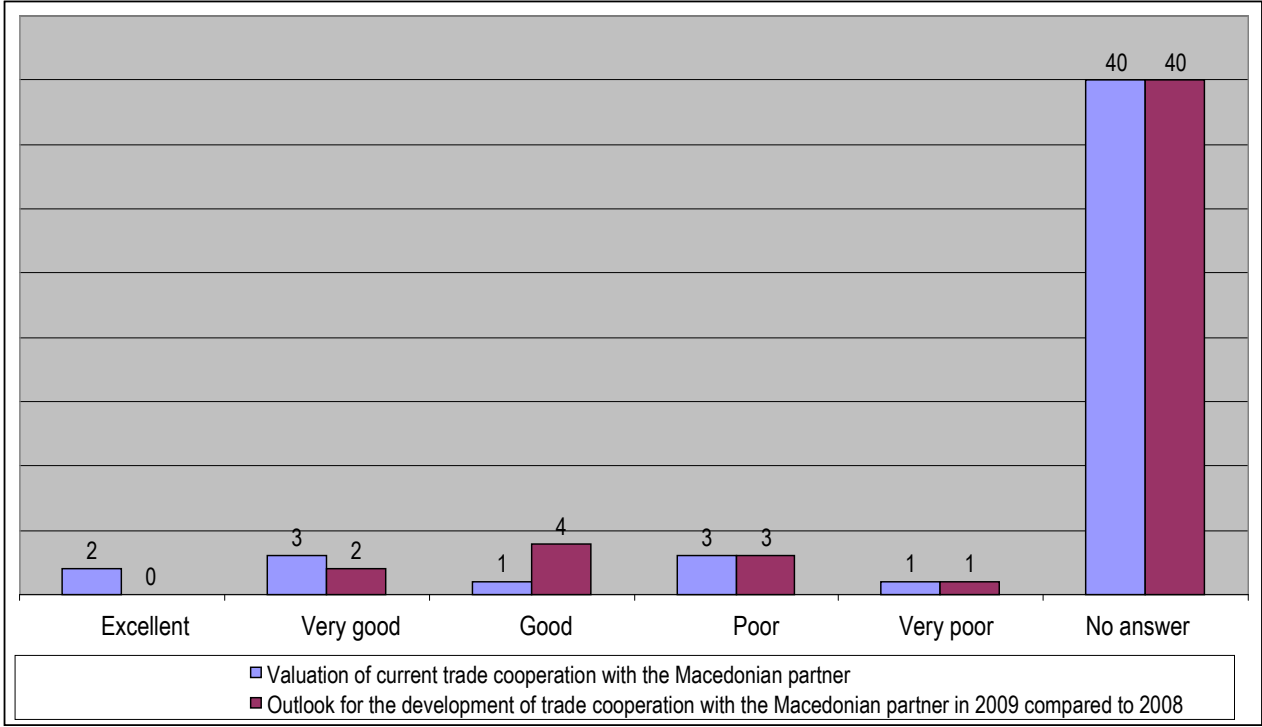
It is important to notice that (a) some of the respondents have quoted their engagement in more than one branch (33) and (b) additionally to the above analysed ten actors who have trade partners in Macedonia; there are ten further companies which work up to a certain extent in the country.

Figure 22: Q "In which branch is your company engaged in Macedonia?"



All 10 respondents who have affirmed their engagement in trade relations with Macedonia have also answered the question concerning their degree of satisfaction with their current trade partner and the outlook of the development of the respective trade cooperation: 6 actors (2: excellent; 3: very good; 1: good) are satisfied with the current trade cooperation, whereas 3 companies judge their degree of cooperation as poor and one as very poor.

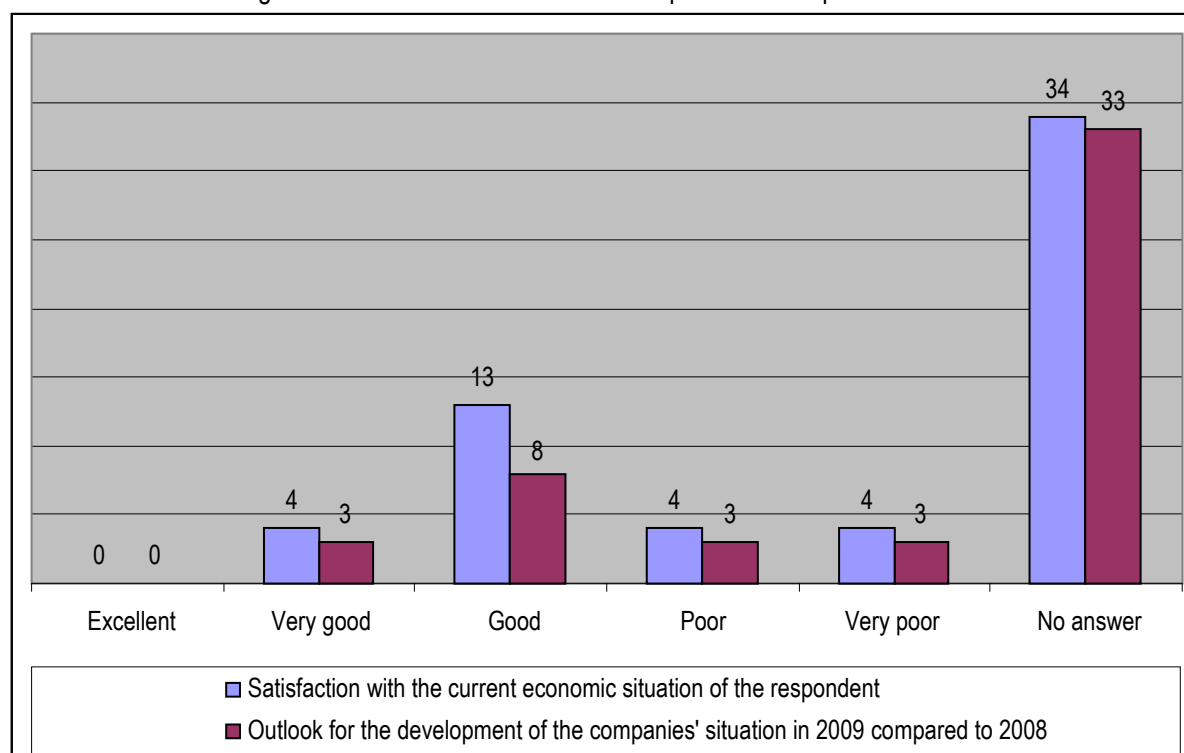
Figure 23: value and outlook for the trade cooperation with a Macedonian partner



The same 10 respondents have also made a contribution to the comparison of their trade cooperation in 2009 compared to 2008: 6 actors assess the outlook as very good (2) or good (4), and 4 have negative expectations (3: poor; 1: very poor). A total of 40 actors did not answer the question due to the fact that the majority of them are not engaged in the country.

Contrary to former figures a different number of actors⁶ has responded to the value and outlook of their economic situation and development. Nevertheless there can not be made any bigger distinction between the 2 questions: The majority of companies engaged in Macedonia is satisfied with its current economic situation and gives a positive economic outlook for 2009. Only a limited amount of enterprises regard their current situation and their respective developments in 2009 as rather negative.

Figure 24: value and outlook for the companies' development in 2009



The trade volume of the above analysed companies is very low. Sixteen percent of the respondents estimate their trade volume with Macedonia as up to 10 percent of their companies overall trade volume.⁷

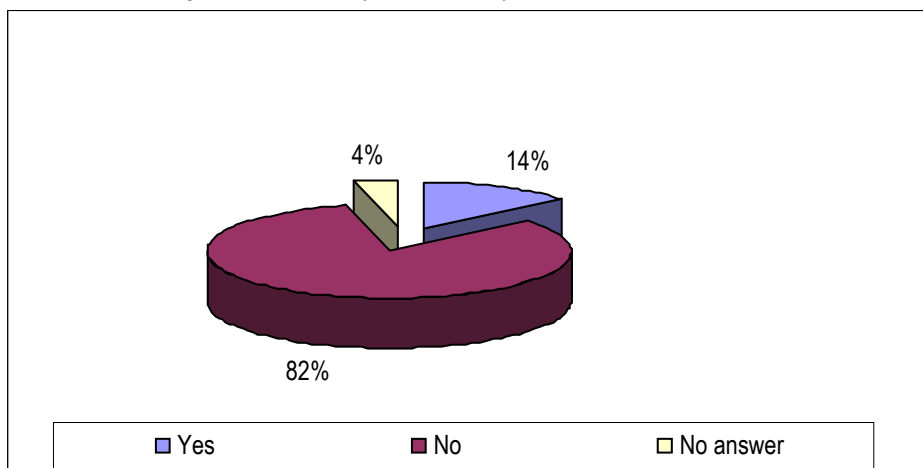
⁶ Nineteen actors gave a judgement of their company's current economic situation and 17 companies gave an outlook of their company's development in 2009 compared to 2008.

⁷ Please refer to figure 49 in the annex for a precise illustration.

XXII. Investment behaviour

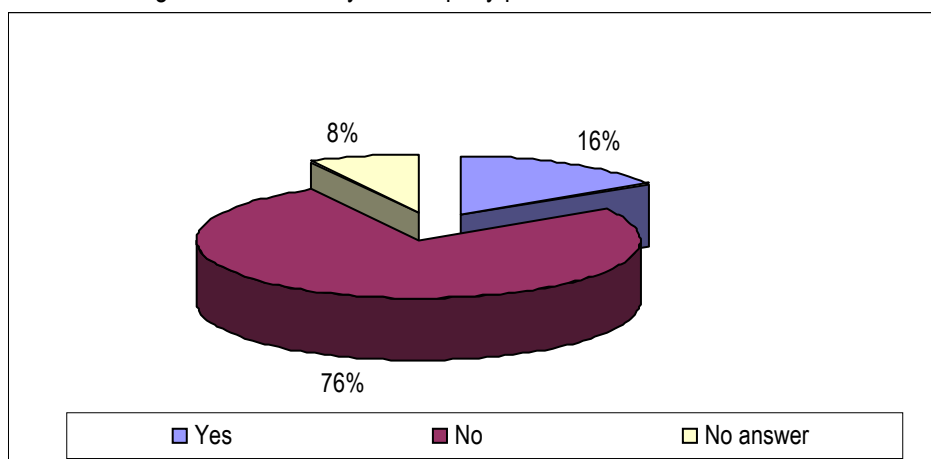
The survey shows that only a limited number of companies (7) has invested in Macedonia. The vast majority of 41 actors (82 percent) do not have investments in the country, while 2 actors (4 percent) have not given any answer.

Figure 25: Q "Has your company invested in Macedonia?"



The results also reflect possible future investment plans. According to the analysed results, 11 companies (16 percent) plan to invest in Macedonia: 2 of them are intending to start their investments in 2009; 7 actors are thinking of investing between 2010 and 2012 and 2 might invest after 2012.⁸

Figure 26: Q "Does your company plan to invest in Macedonia?"



⁸ Please refer to figure 49 in the annex.

PART VII. MACEDONIA'S INVESTMENTS' CONDITION VS. SATISFACTION

XXIII. Summary

It is generally acknowledged that economic growth has to be seen in close context with the political development of a country as it is the basis for a set of certain norms to secure the necessary framework for economic development and growth. As the survey has shown so far the limited engagement of German enterprises in Macedonia, it might be helpful to have a closer look on enterprises' main criteria to make investment decisions and their respective satisfaction with the situation in Macedonia.

The questioned actors were asked to rank (a) their degree of importance as well as (b) their degree of satisfaction. This distinction was made in order to find out the degree of importance of certain criteria when one plans future investments (a) and how companies which are already involved in Macedonia just their degree of satisfaction (b). Within these respective categories, they were asked to fill in a special scale measurement concerning the aspects of (1) general factors, (2) economic factors, (3) financial factors, (4) market factors, (5) trade factors and (6) resource factors. The results of this set of questions are illustrated in the graphs below; excluding those quotes which did not include any answer. They are noted as footnotes separately.

The vast majority of respondents quoted their scale of measurement which is necessary to lead to future investment decisions. There cannot be made a distinction concerning the relevance of (1) general factors, (2) economic factors, (3) financial factors, (4) market factors, (5) trade factors and (6) resource factors but within the respective categories.

(1) General factors

- (a) "Legal certainty" and "political stability" get valued as the most important factors in the category of "general factors" although this does not mean that measures to combat crime and corruption as well as an efficient public administration do not get any attention when companies set up their investment strategies.
- (b) Comparing to that the majority of companies engaged in Macedonia are very positive about the political stability of the country but think that the improvements regarding the legal certainty as well as measures to combat crime and corruption are absolutely necessary.

(2) Economic factors

- (a) Economic stability as well as the expected economic growth is generally regarded as important in a company concerning their possible investment decision although a lot of enterprises consider "economic stability" as more important as "the expected economic growth" of a country. Despite the different degree of relevance the latter is also a necessary precondition for a possible future investment decision.
- (b) Although some German companies in Macedonia think that the economic stability as well as the expected economic growth of the country has been developed in a positive way, most enterprises suggest further reforms to improve the given economic framework in order to attract and to keep investors in the country.

(3) Financial factors

- (a) The elimination of tariff and non-tariff trade barriers as well as a functioning tax system/ administration attract the highest amount of relevance of possible future investors. The access to credit and national as well international funds is also considered important but to a lesser degree than the formerly presented factors.

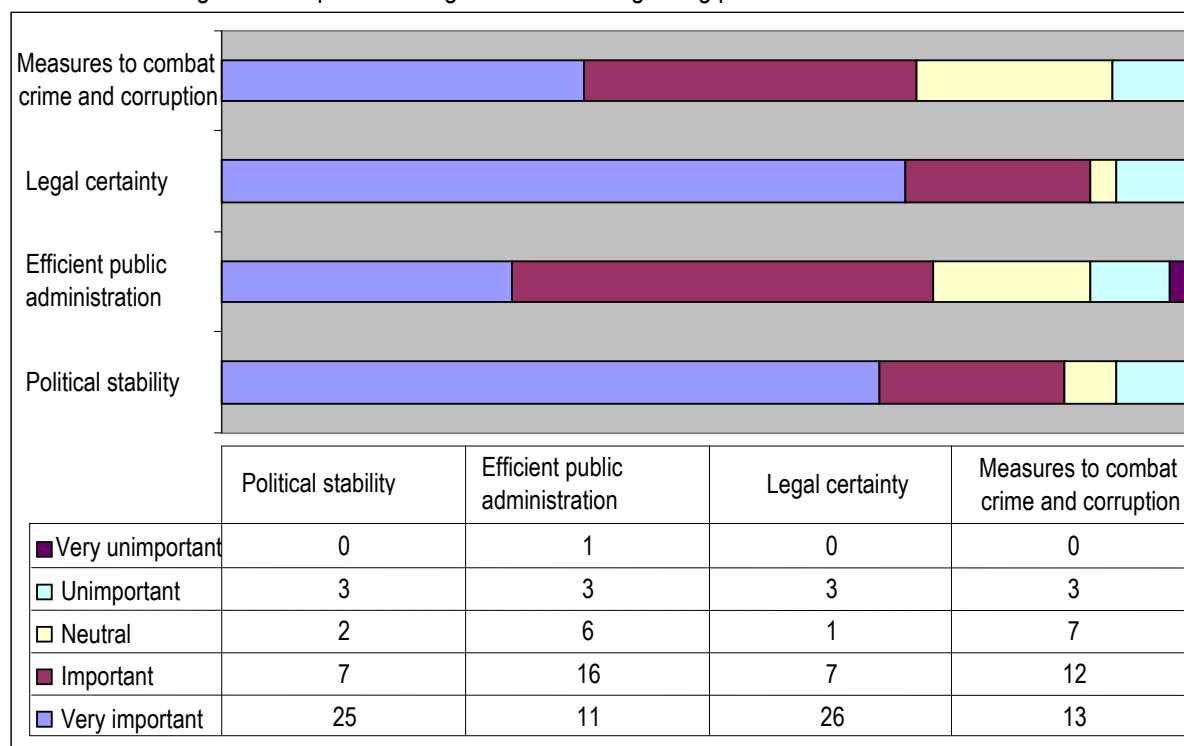
- (b) Most of the respondents are not very much satisfied with the given criteria. Nevertheless, a positive development in the financial sector and regarding financial criteria can be identified. This is generally due to the relatively positive assessment of the Macedonian financial sector. The direct impact of the global financial crisis should remain limited because most banks rely mainly on domestic deposits and not on international credit lines to fund lending.
- (4) Market factors
- (a) An investment decision requires deep thoughts on the access to the local market, its size as well as the access to the regional market. These three criteria cannot be separated, especially when one thinks about investments in smaller markets. Although “labour costs” are generally referred to as necessary precondition for investment decisions, it attracts a lesser degree of importance than the above analysed criteria. The same refers to “income per capita”. It would be interesting to do a more detailed study considering these mentioned criteria.
- (b) There are few respondents engaged in Macedonia who judge their degree of satisfaction concerning the access to local and regional market as well as the size of the local market as (very) positive. But it has to be emphasised that the majority of respondents suggest a closer cooperation among the economies of SEE due to their small and limited markets. As already analysed before, the criteria “labour costs” and “income per capita” are regarded as less important.
- (5) Trade factors
- (a) Referring to the high number of returned answers, criteria such as “payment conduct”, “reliability” and “quality of cooperation” seem to be the most important points regarding a possible investment decision.
- (b) Although some companies are (very) satisfied with criteria such as “payment conduct”, “reliability” and “quality of cooperation” in Macedonia, the majority of them are convinced that there need to be made more structural progress in this area.
- (6) Resource factors
- (a) The majority of respondents regard the availability of labour as a necessary precondition in terms of investment behaviour. But there can be made a distinction between skilled and unskilled labour. Most companies think that the former is more important than the latter and give quotes regarding to this. Although “infrastructure” and “raw material” do get a special emphasis concerning the investments’ decision, only a limited amount of enterprises quote their degree of importance.
- (b) The survey shows that most actors are very keen on improvements regarding the resource factors of Macedonia. Although a very limited number of companies is satisfied with the given resource factor, the majority of enterprises would be happy about an appropriate process in this matter.

XXIV. General Factors

1. Importance of the category “general factors” regarding possible investment decisions

Most of the respondents regard general criteria such as “political stability”, “efficient public administration”, “legal certainty” and “measures to combat crime and corruption” as a necessary precondition concerning possible investment behaviour. “Legal certainty” and “political stability” get valued as the most important factors in this category.⁹

Figure 27: importance of general factors regarding possible investment decisions

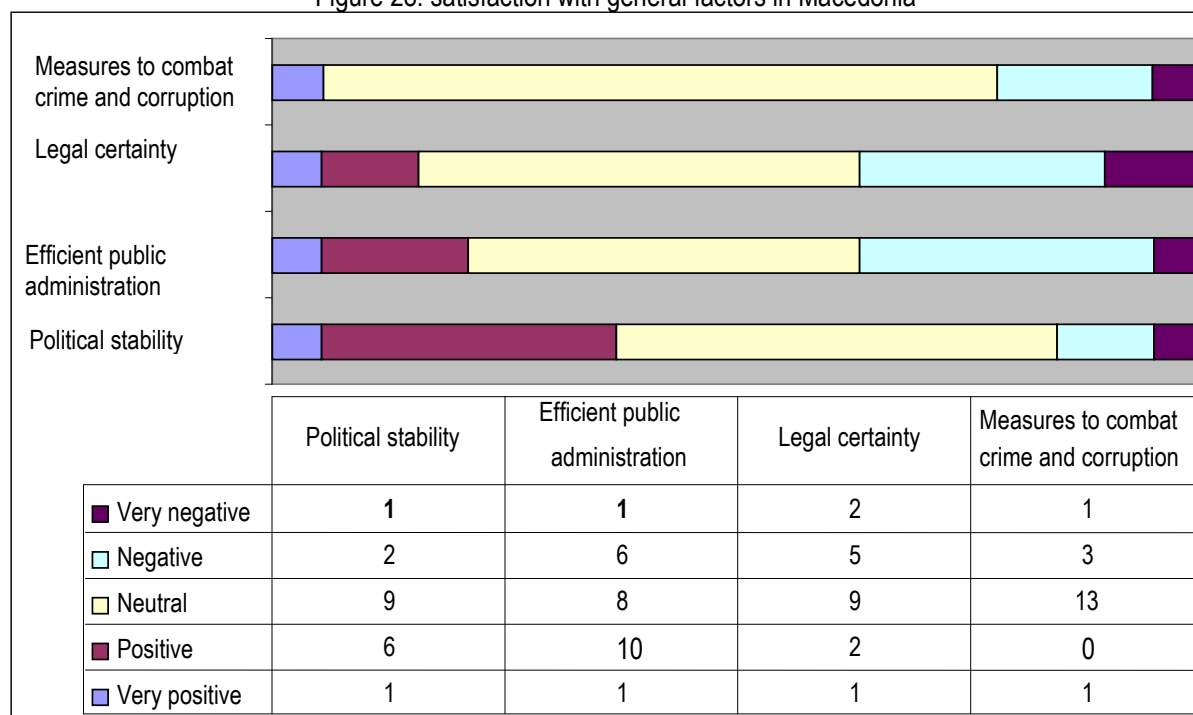


⁹ The questions concerning the importance of political stability, legal certainty and an efficient public administration were not answered by thirteen actors in each category. Fifteen companies did not reply to the question regarding the importance of measures to combat crime and corruption.

2. Satisfaction with the general framework in Macedonia

Generally spoken, actors are satisfied with the framework given in Macedonia. But figure 28 shows that the government of Macedonia needs to strengthen its efforts to seriously improve the level of legal certainty as well as measures to combat crime and corruption, especially when one refers to the importance of these criteria in the context of possible investment decisions. It has to be highlighted that the majority of companies engaged in the country are satisfied with the political stability of Macedonia.¹⁰

Figure 28: satisfaction with general factors in Macedonia



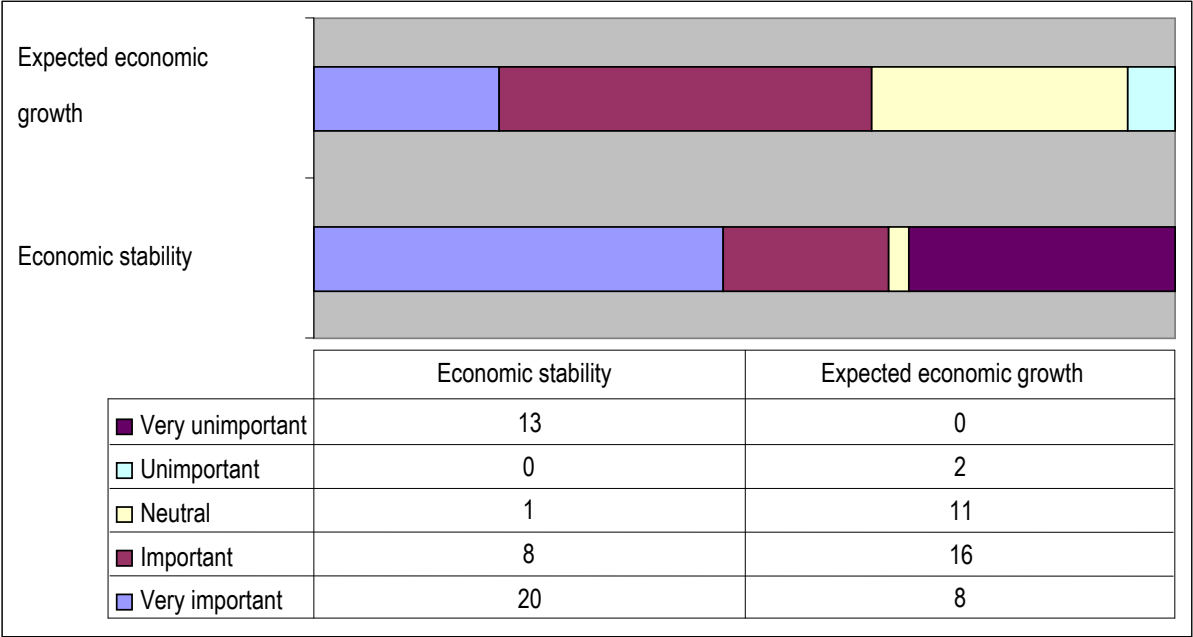
¹⁰ Due to the fact that the vast majority of respondents are not engaged in Macedonia, the given answers presented in a numerical way in graph 28 are very limited. Out of a total of possible 200 answers to the four sub-questions regarding the subject "satisfaction with the general factors in Macedonia" 125 answers were not received. Only the respondents who answered the question are included in the graphs.

XXV. Economic factors

1. Importance of economic factors regarding possible investment decisions.

The absence of excessive fluctuation in a country’s macro-economy is often regarded as a precondition of investors’ decision to engage them in a certain country. Figure 29 shows that the respondents of the survey judge the “economic stability” as one of the preconditions of their investments’ decision. A total of 24 actors judge the “expected economic growth” as nearly fundamental as the criterion of “economic stability”.¹¹

Figure 29: importance of economic factors regarding possible investment decisions

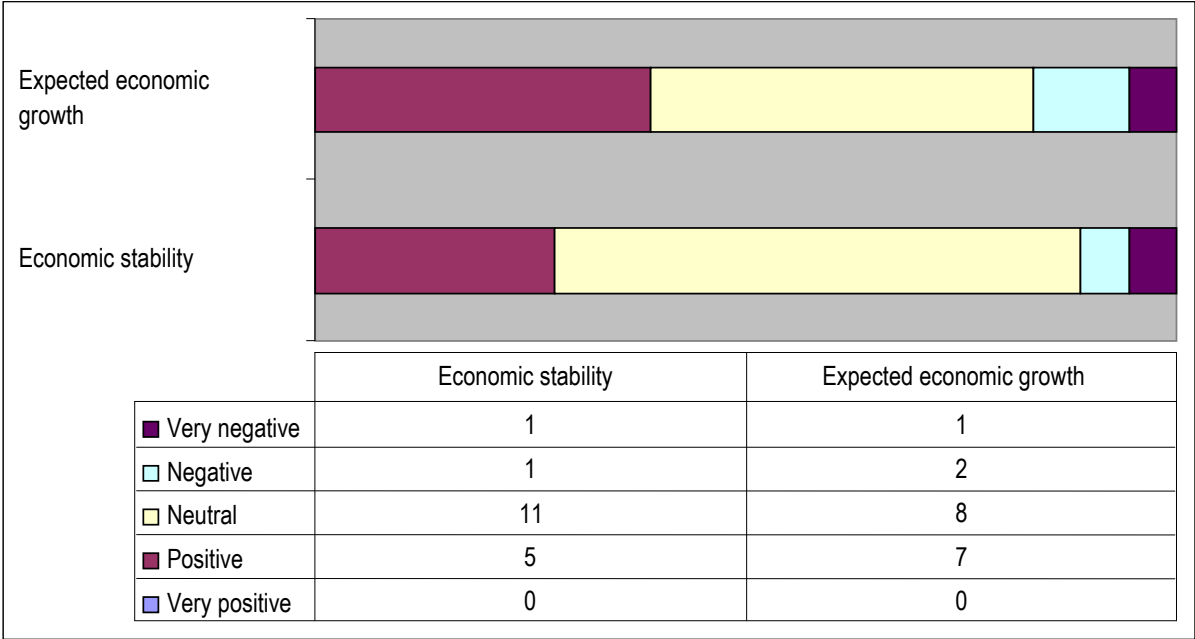


¹¹ Twenty one answers were not received, thereof 8 to the criteria “economic stability” and 13 to the “expected economic growth”.

2. Satisfaction with the economic factors in Macedonia

Figure 30 identifies that the companies active in Macedonia are satisfied with the economic factors of the country: Five companies think that the “economic stability” has developed in a positive way and 7 enterprises regard the “expected economic growth” of the country as positive. Nevertheless, 11 enterprises are neutral about the economic stability and 8 companies are neutral referring to the expected economic growth. Two actors (1: negative, 1: very negative) are convinced that the economic stability in Macedonia is not appropriate and need to improve urgently. This is similar concerning the factor of expected economic growth: 3 actors (2: negative, 1: very negative) are not satisfied with it.¹²

Figure 30: satisfaction with the economic factors in Macedonia



¹² A total of 64 answers were not received: (32: economic stability, 32: expected economic growth).

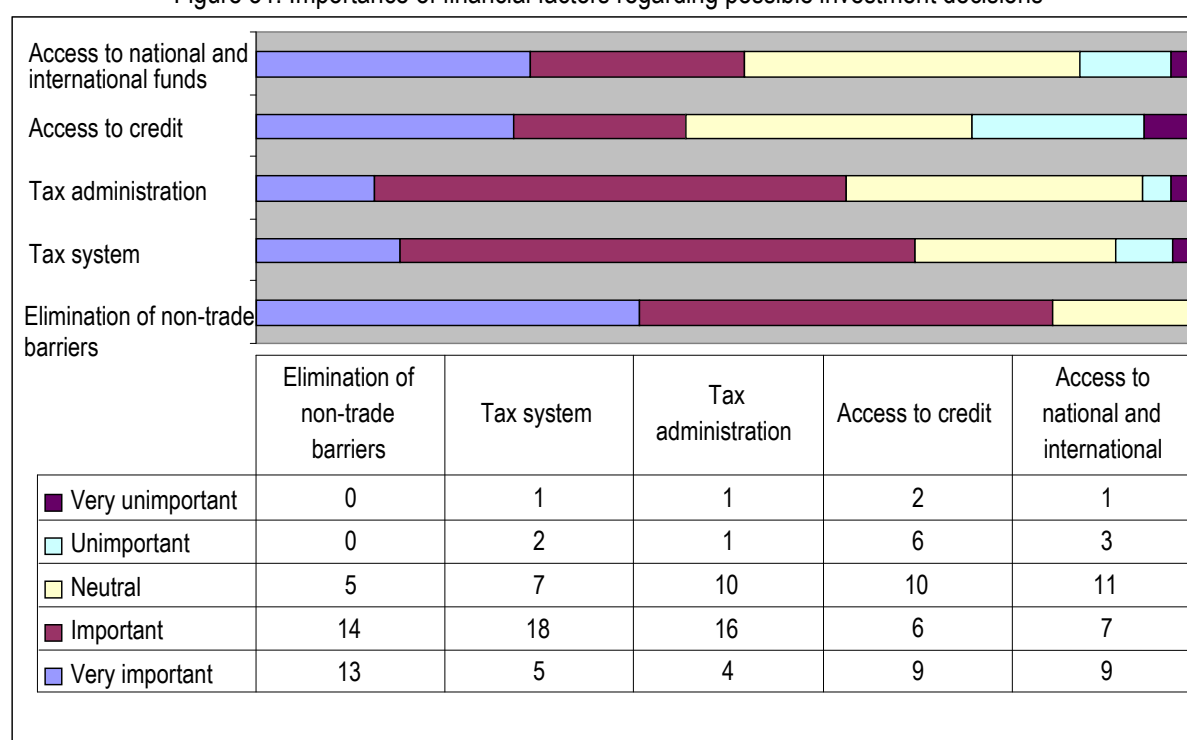
XXVI. Financial factors

1. Importance of the category “financial factors” regarding possible investment decisions.

The importance of a well functioning financial framework in the context of possible investment decisions¹³ can be identified in figure 31. Most of the companies are very much interested in the “elimination of tariff and non-tariff trade barriers” such as customs or subsidies. No one declares this criterion as unimportant or very unimportant.

The majority of actors regard a well-functioning “tax system” and “tax administration” as (very) important and thus no significant distinction between the importance of these criteria can be made. Again, a substantial number of actors did not answer, which reflects the relatively low percentage of actors planning investment in Macedonia.¹³

Figure 31: Importance of financial factors regarding possible investment decisions



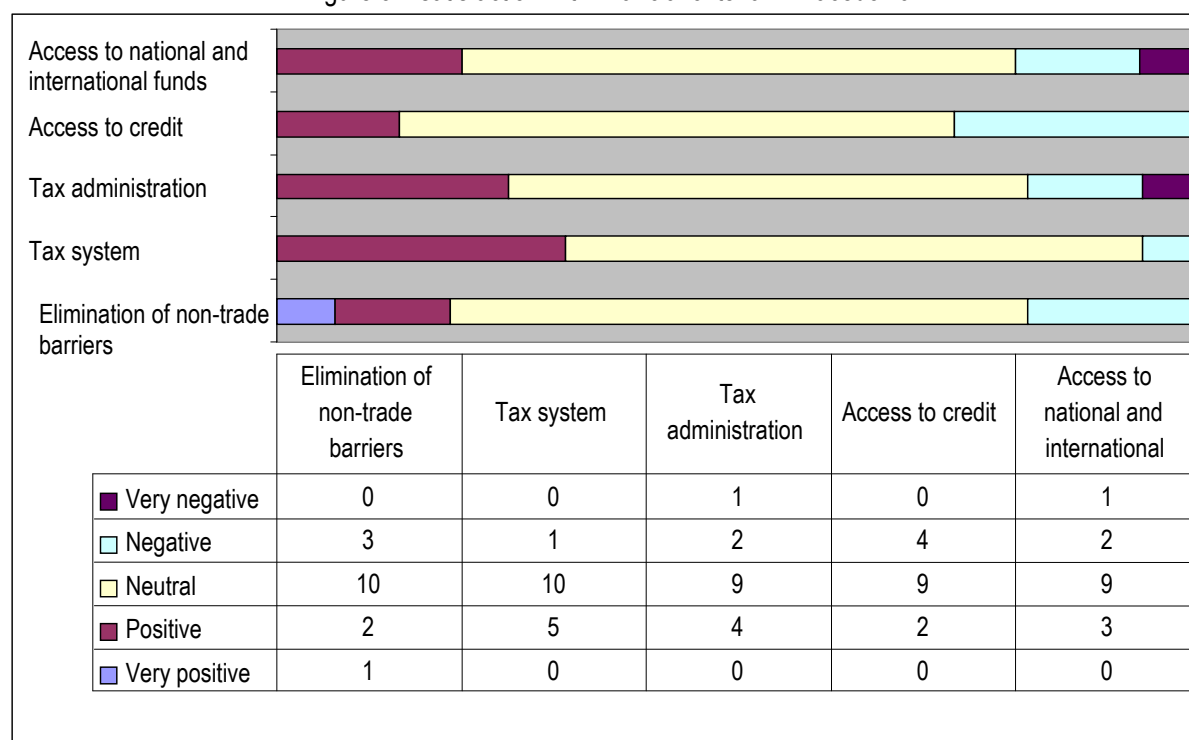
2. Satisfaction with the financial framework in Macedonia

As it can be seen in figure 31, the process for improving the financial framework in Macedonia does need to continue in order to provide more adequate financial conditions to the existing investors. As shown above, the respondents are very clear that factors such as the elimination of tariff and non-tariff trade barriers, a well-functioning tax system and tax administration etc. are some of the most important preconditions of a possible future investment in any target country. It is not surprising that a certain number of respondents is satisfied with their possibility to get credits as the growth of credit activity in Macedonia (especially to the private sector) has remained very strong by the time period of this survey. This is also due to the well capitalised banking sector. The foreign bank presence is rising steadily as most banks have been sold to international investors over the past decade.

¹³ A total of 89 answers to the various sub-questions concerning the importance of financial factors were not received (elimination of non-trade barriers: 18, tax system: 17, tax administration: 18, access to credit: 17, access to national and international funds: 19).

Nevertheless, figure 32 shows that the vast majority of surveyed actors are not satisfied with the given circumstances, although there are several enterprises which are positive regarding some of the analysed factors.¹⁴

Figure 32: satisfaction with financial criteria in Macedonia



¹⁴ A total of 172 answers were not received (elimination of trade and non-trade barriers: 35, tax system: 35, tax administration: 34, access to credit: 34, access to national and international funds: 34)

XXVII. Market factors

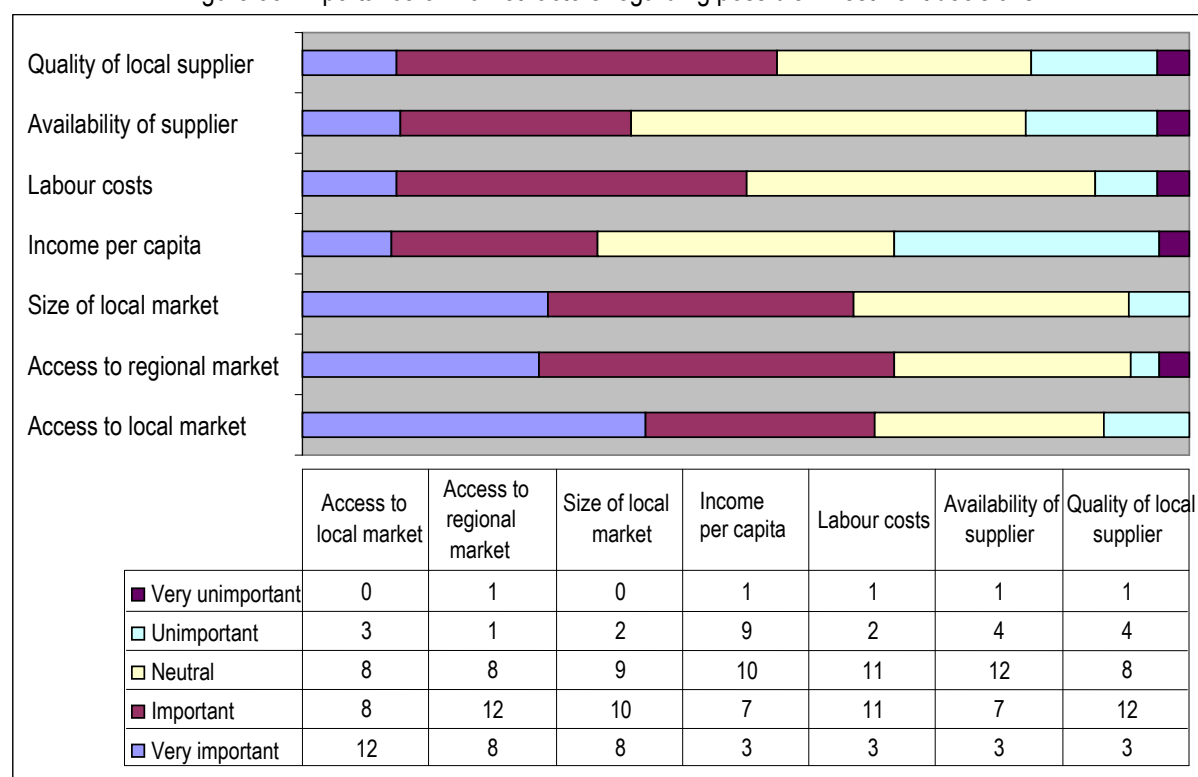
1. Importance of market factors regarding possible investment decisions

More than half of the respondents regard the specific criteria of a market as very important in order to make an investment decision. The “access to the respective local market”, its “size” and the “access to the regional market” in a broader context are necessary precondition in terms of investment behaviour. Twelve actors see it as very important and 8 as important to have a good “access to the local market”. These results can also be reflected in the degree of importance regarding the “size of the local market”: Eight companies think that the markets’ size is a very important (10: important) criterion to think in more detail about a possible investment. Nevertheless, the access (and conditions) to the regional market cannot be underestimated: 8 enterprises regard the importance of the “access to the regional market” as very important and 12 companies think it is important.

Next to the above described criteria, “labour costs” are generally considered as a fundamental criterion concerning the selection of a new production location and/ or possible investments. But figure 33 identifies that half of the respondents judge “labour costs” as (very) important and half of them as rather unimportant. It would be interesting to broaden the study in order to find out which specific element of “labour costs” needs to be improved or needs to be strengthened in general terms.

The criterion “income per capita” is generally regarded as less important than the other criteria of the discussed factor. Only 10 respondents classify their degree of importance of “income per capita” in the scale measurement of (very) important, whereas the majority of companies consider this criterion either as neutral or unimportant.¹⁵

Figure 33: importance of market factors regarding possible investment decisions



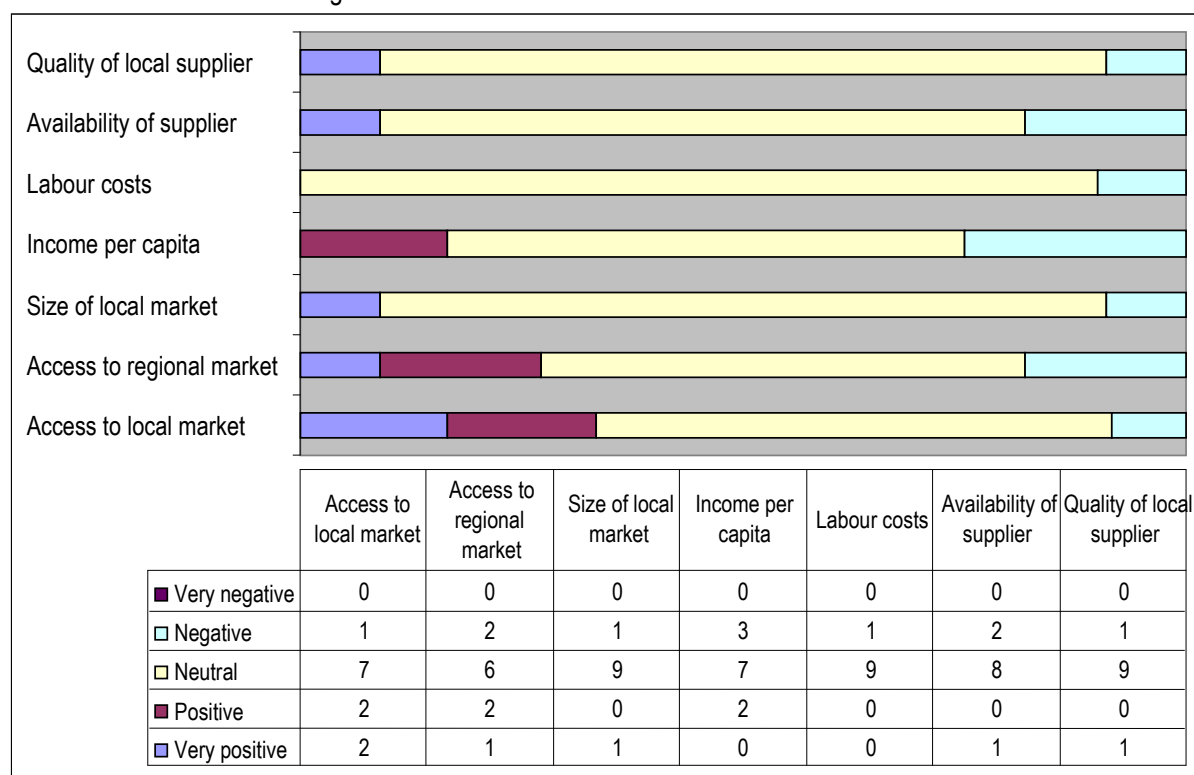
¹⁵ A total of 147 answers were not received (19: access to local market; 20: access to regional market; 21: size of local market; 20: income per capita; 22: labour costs; 23: availability of supplier; 22: quality of local supplier).

2. Satisfaction with the category “market factors” in Macedonia

The results shown in figure 34 can be distinguished from the above analysed results and their importance for ones' investment behaviour. Although there is a very limited number of actors who are (very) positive with the access to the local and regional market, the majority of them engaged in Macedonia draws a rather neutral or negative picture. Some respondents, who made comments on this specific question, declared that the Macedonian market in general is too small to think about any (further) engagement or (further) investment. They emphasised that it is more important to have a good access to the region. It was suggested to improve cooperation despite any political or economic legacies.

It has to be stressed that nearly all companies see the criteria “labour costs” and “income per capita” as less important than other criteria of the category “market factors”. This might be seen very surprisingly, especially as a lot of investment brochures across the region of SEE in general as well as the market of Macedonia keep repeating that the Macedonian labour costs constitute their biggest competitive advantages compared to other regions: SEE has the lowest labour costs in Europe which is a major advantage in order to attract foreign companies. Although the average income in Macedonia has increased in the last years, it is still noticeably lower than in the EU countries (also SEE-EU countries). But one of the specifics of the labour costs in Macedonia is the high level of taxes which might be the result of the large social security contribution. As already mentioned above, it would be of utmost interest to analyse these specific criteria in more detail.¹⁶

Figure 34: satisfaction with market factors in Macedonia



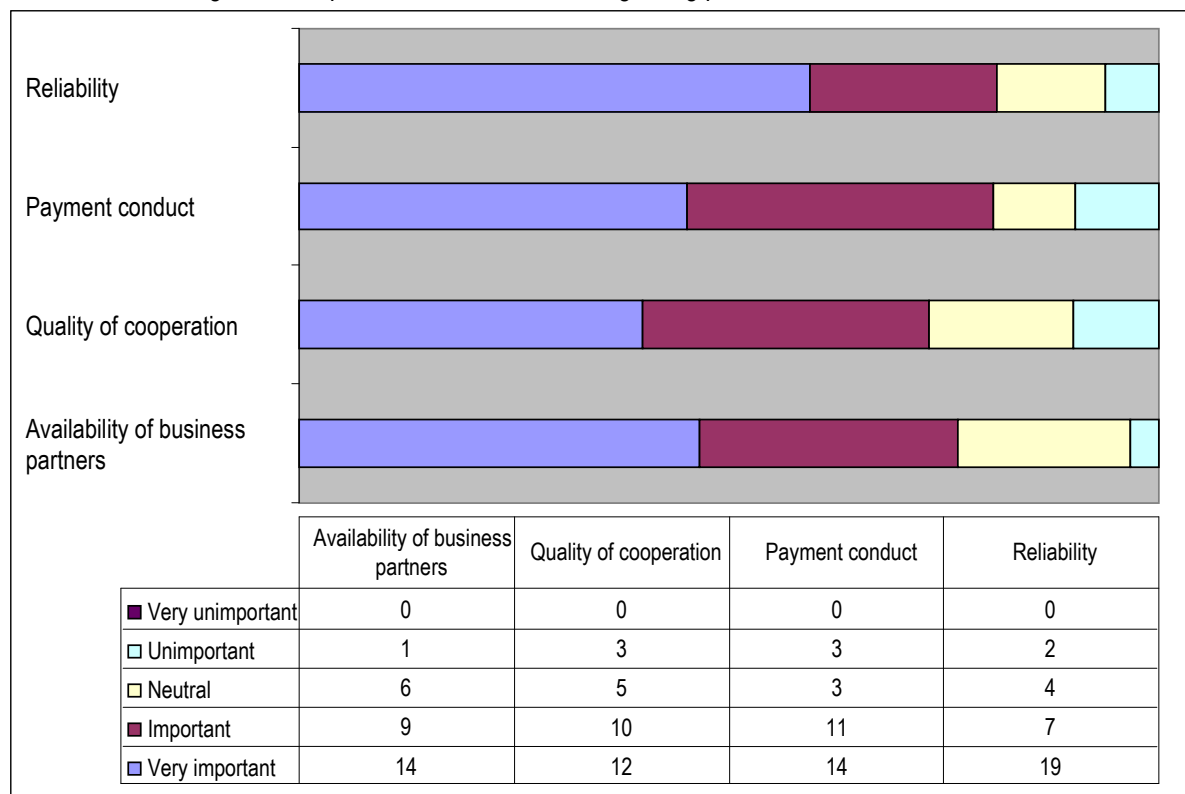
¹⁶ A total of 272 answers were not received (39: access to local market; 39: access to regional market; 39: size of local market; 38: income per capita; 40: labour costs; 39: availability of supplier; 39: quality of local supplier).

XXVIII. Trade factors

1. Importance of the category “trade factors” regarding possible investment decisions

Figure 35 shows that the category “trade factors” attracted a high number of answers. This proves that the criteria “reliability”, “payment conduct”, “quality of cooperation” and “availability of business partners” are valued as very significant. Taking a closer look at the given answers, one can see that there is hardly any difference in the importance assigned to different criteria. Nevertheless, “reliability” as well as “payment conducts” is considered as the most important criteria.¹⁷

Figure 35: importance of trade factors regarding possible investment decisions

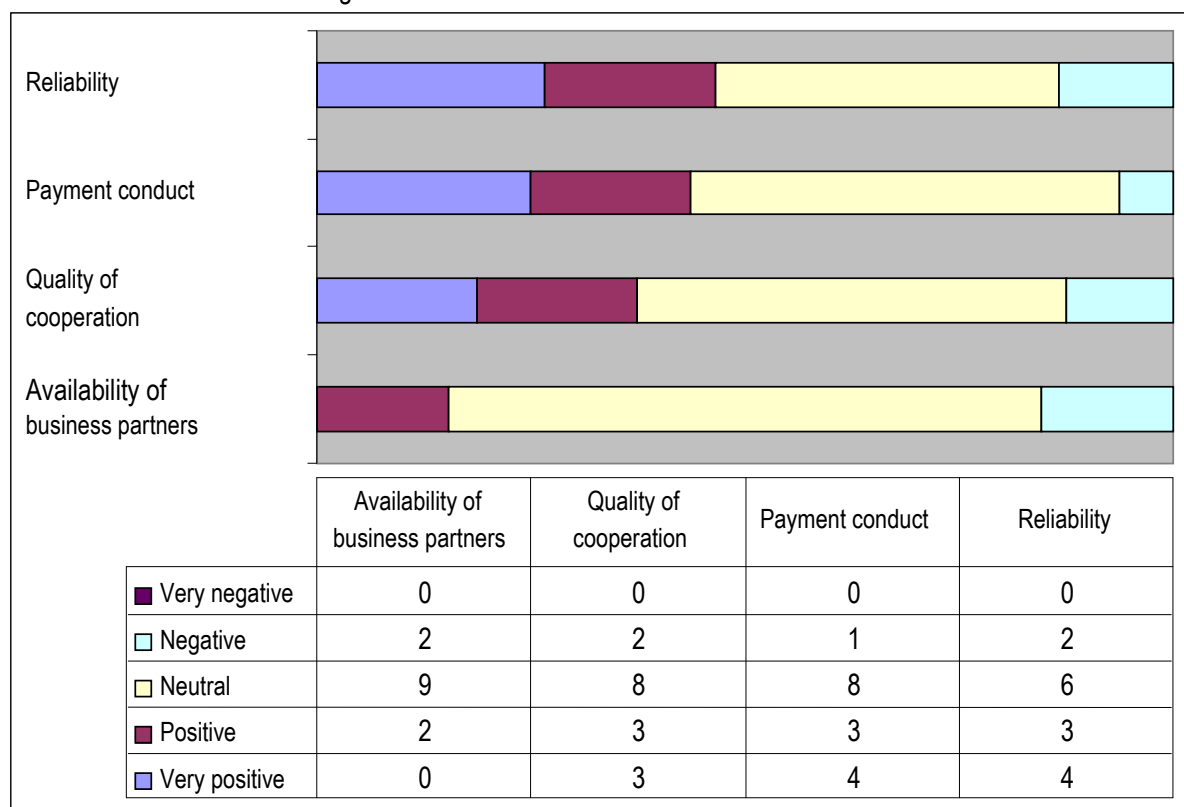


¹⁷ A total of 77 answers were not received (20: availability of business partners; 20: quality of cooperation; 19: payment conduct; 18: reliability).

2. Satisfaction with category “trade factors” in Macedonia

Figure 36 shows that most of the respondents engaged in Macedonia are only up to a certain extent satisfied with the given circumstances in the country. Most of them judge the respective criteria rather negative although there are companies who are (very) positive about the specific criteria “payment conduct” and “reliability”.¹⁸

Figure 36: satisfaction with trade factors in Macedonia



¹⁸ A total of 140 answers were not received (37: availability of business partners; 34: quality of cooperation; 34: payment conduct; 35: reliability).

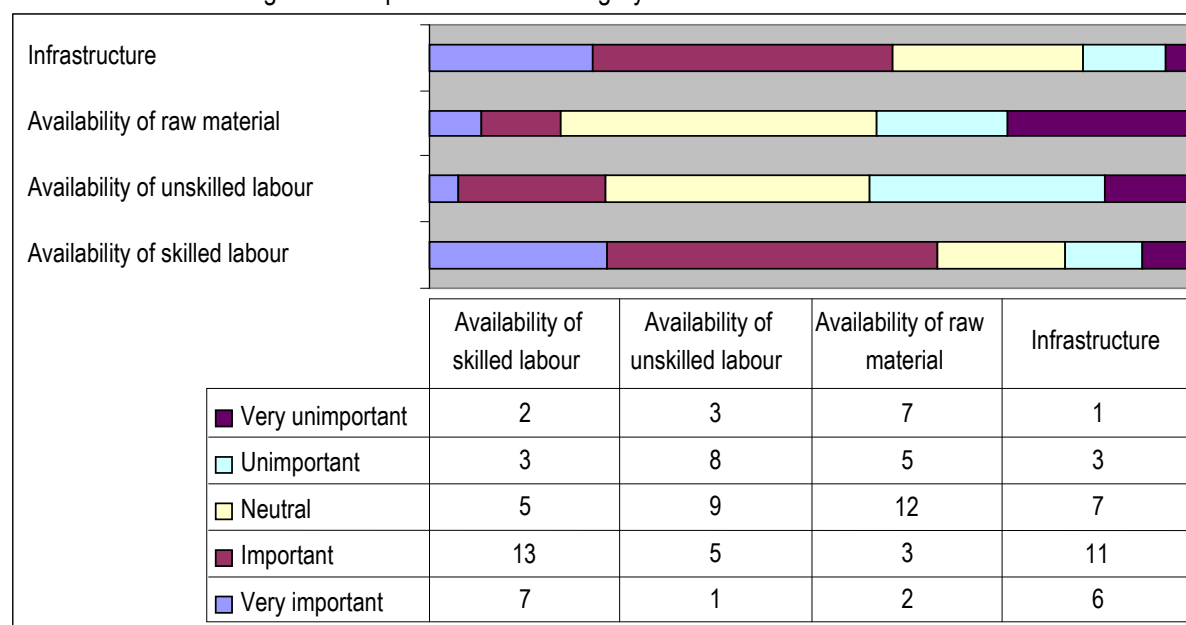
XXIX. Resource factors

1. Importance of the category “resource factors” regarding possible investment decisions

The availability of labour is estimated as the most important criteria within the category “resource factors.” But it is interesting to compare the given quotes concerning the criterion “availability of skilled labour” and the criterion “availability of unskilled labour”. The “availability of skilled labour” is often regarded as a significant precondition concerning a possible investment. Figure 37 shows that the majority of companies are very much interested in this factor: 7 actors see it as very important and 13 as important to have the availability to choose from a given supply of skilled labour. The majority of respondents regard the availability of unskilled labour as less important concerning their investment behaviour. Eight companies quote this matter as an unimportant and three as a very unimportant matter. Only 6 enterprises consider the “availability of unskilled labour” as significant.¹⁹

Another very important precondition concerning possible investment decisions can be seen in the availability of resources such as “raw materials” and “infrastructure” in order to reduce costs of production. But as illustrated in figure 37 the availability of adequate infrastructure is regarded as more important than the availability of raw material. The latter seems, generally spoken, less important than all the other mentioned factors concerning investment behaviour.

Figure 37: Importance of the category resource factors in Macedonia



2. Satisfaction with the resource factors in Macedonia

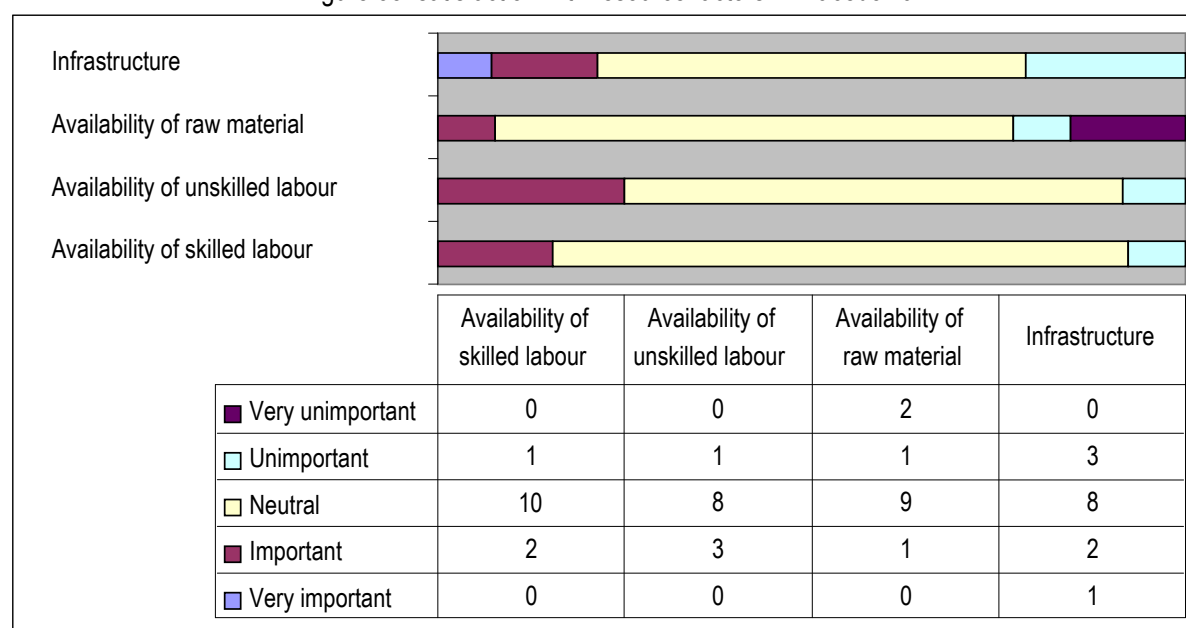
Figure 38 shows that there is hardly any respondent who is satisfied with any of the given criteria. It was argued above that the availability of labour is generally regarded as a significant criterion for any investment decision. But the actors engaged in Macedonia are hardly satisfied with the given framework: only 2 companies think that the “availability of skilled labour” can be judged as positive. But the vast majority either takes a neutral position or is rather unsatisfied. This result can be repeated when one takes a closer look at the quotes of respondents regarding the “availability of unskilled labour”. Only 3 enterprises are satisfied with this criterion.

¹⁹ A total of 87 answers were not received (20: availability of skilled labour; 24: availability of unskilled labour; 21: availability of raw material; 22: infrastructure).

The respondents are also not satisfied with the availability of “raw material” and “infrastructure”, although it is generally regarded as an important precondition in ones’ investment decision. Only 3 actors consider the availability of infrastructure as satisfying but the majority of companies think that improvements need to be implemented. Some respondents referred to the importance of the Vardar valley which is part of the Pan-European Corridor X and one of the most significant connections between SEE and the EU. But a lot of projects still need to be implemented as the situation is still not satisfying. These companies also referred to the unreliable power supplies. The regular power strikes do not allow a constant work. Progress also needs to be made very urgently.

The results referring to raw materials can be discussed similarly: Only 1 actor is positive about the availability of raw material, whereas nine take a neutral position and three give a negative assessment.²⁰

Figure 38: satisfaction with resource factors in Macedonia



XXX. Others

Some of the respondents used the possibility to add criteria in the category “others” and included the criteria “ability to make decisions” and “the freedom of press” as important criteria for their further investment decisions.

²⁰ One hundred and forty eight answers referring to the above discussed various criteria were not received (37: availability of skilled labour; 38: availability of unskilled labour; 37: availability of raw material; 36: infrastructure).

PART VIII. MACEDONIA IN INTERNATIONAL COMPARISON

XXXI. Summary

SEE is a region which mainly consists of former socialist states. Macedonia as well as all the other successor states of the Former Yugoslavia were very much integrated in the Yugoslavian system of economy and had to redefine its role in political as well as economic terms after their independence in the beginning of the 1990s. The transition progress has been going on in all of the states but with very differing degrees of success.

Macedonia's attractiveness and competitiveness compared to the other markets of SEE is not regarded as bad. But this fact has to be seen – generally spoken – in the common legacies. Most markets have the same problems and are still in their process of economic (and political) consolidation. The majority of respondents declared that the market of Macedonia itself is too small to make appropriate business and investments. The figure displayed below shows that it is necessary to implement a national as well as a regional strategy to attract further FDI to the region of South East Europe which does have a lot of potentials.

Economic growth of a country is strongly linked to its competitiveness in international terms, especially within a given region of a country. The product diversity and quality of a country reveals its regional advantages concerning its physical and human capital resources as well as its level of technological development. This also includes a country's ability to attract investors and to act as a consumer as well as a supplier market.

In order to analyse Macedonia's competitiveness, the respondents were asked to give their point of view on Macedonia's attractiveness as (a) investment location (b) a supplier and (c) a consumer market in comparison to all other states of SEE. The respondents were asked to compare Macedonia to the countries of SEE (Albania, BiH, Bulgaria, Croatia Kosovo, Moldova, Montenegro, Romania, Serbia and Slovenia), using a scale of measurement starting with "1" as equivalent of better, "2" as equivalent of equal and "3" as equivalent of worse.²¹

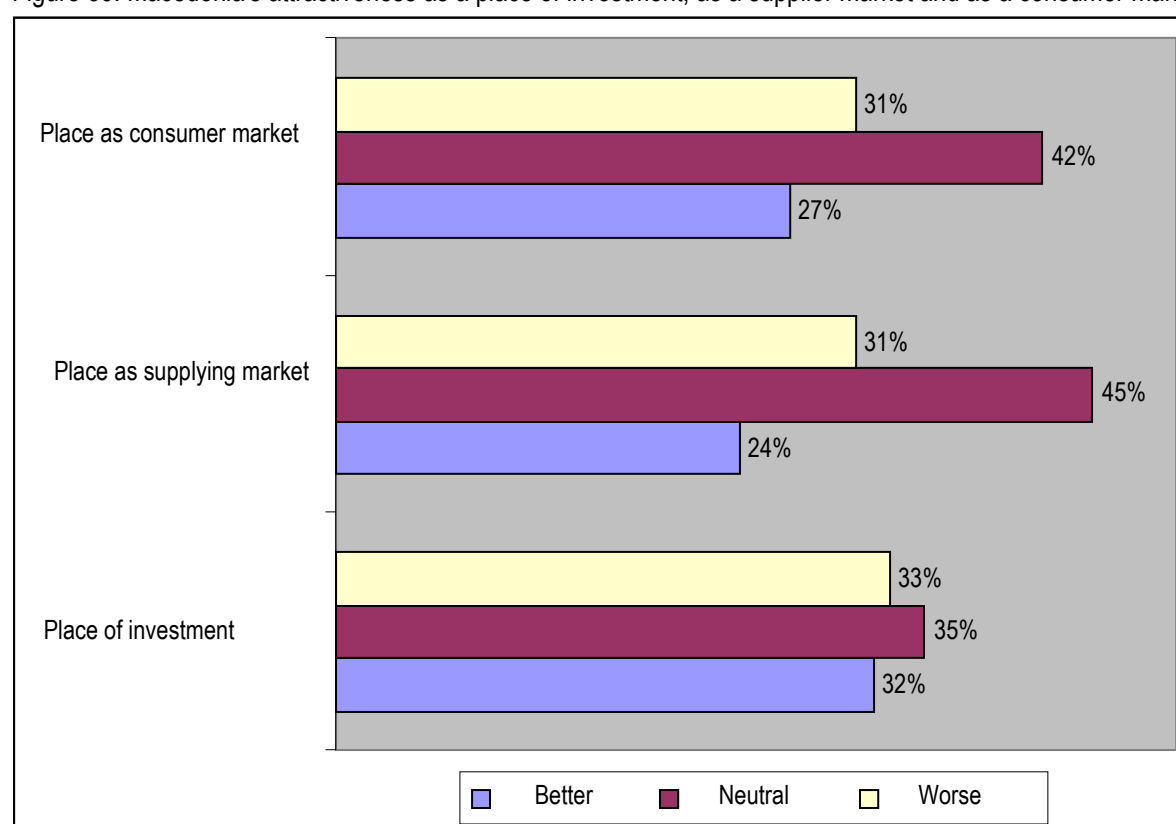
²¹ The actors who did not give a precise answer were not included in these graphs.

XXXI. Macedonia's attractiveness in comparison to other SEE countries

Figure 39 shows that the majority of respondents regard Macedonia's attractiveness concerning investment possibilities, as a supplying and as a consumer market as neutral.

Comparing the 3 categories, one realises that the figures do not differ very much. Between 24 percent and 32 percent of the respondents think that Macedonia's chances as a place of investment, as a supplier as well as a consumer market are better than in the other SEE countries. Approximately 30 percent of the actors regard Macedonia's attractiveness in the given criteria of comparison as worse. In order to present more detailed results, a more in depths analysis would be necessary. Please refer to the annex which gives a first overview of Macedonia's attractiveness compared to other SEE states in general.²²

Figure 39: Macedonia's attractiveness as a place of investment, as a supplier market and as a consumer market



²² Please have a look at figures 51, 52 and 53 in the Annex for more specific information.

IX. ANNEX I

XXXII. GENERAL INFORMATION OF THE RESPONDENTS

Figure 40: Q "For how long has your company been operating?"

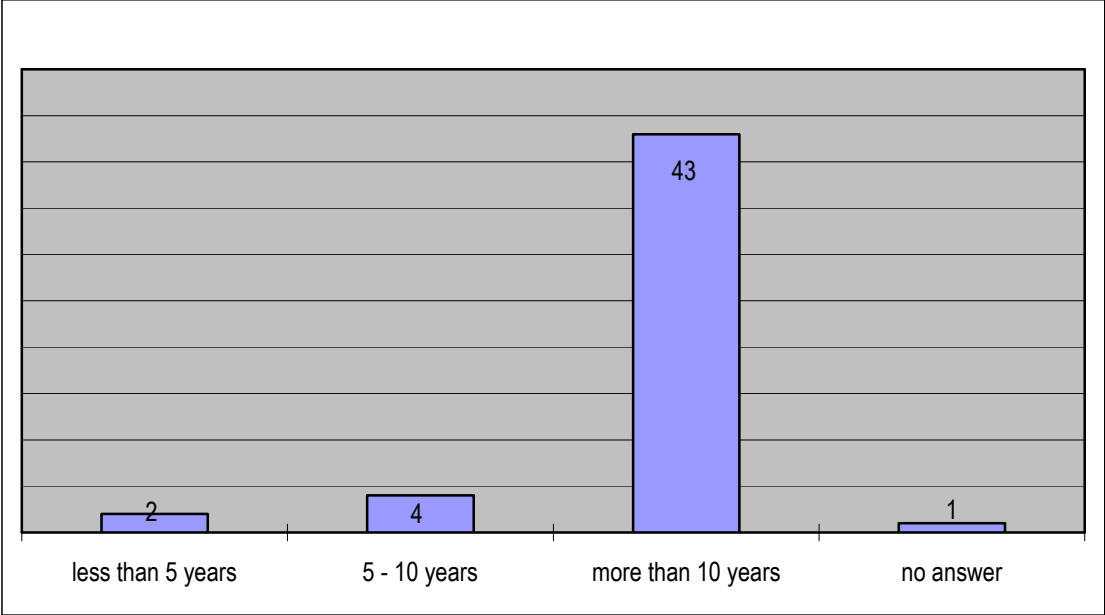


Figure 41: Q "How many people does your company employ in Germany?"

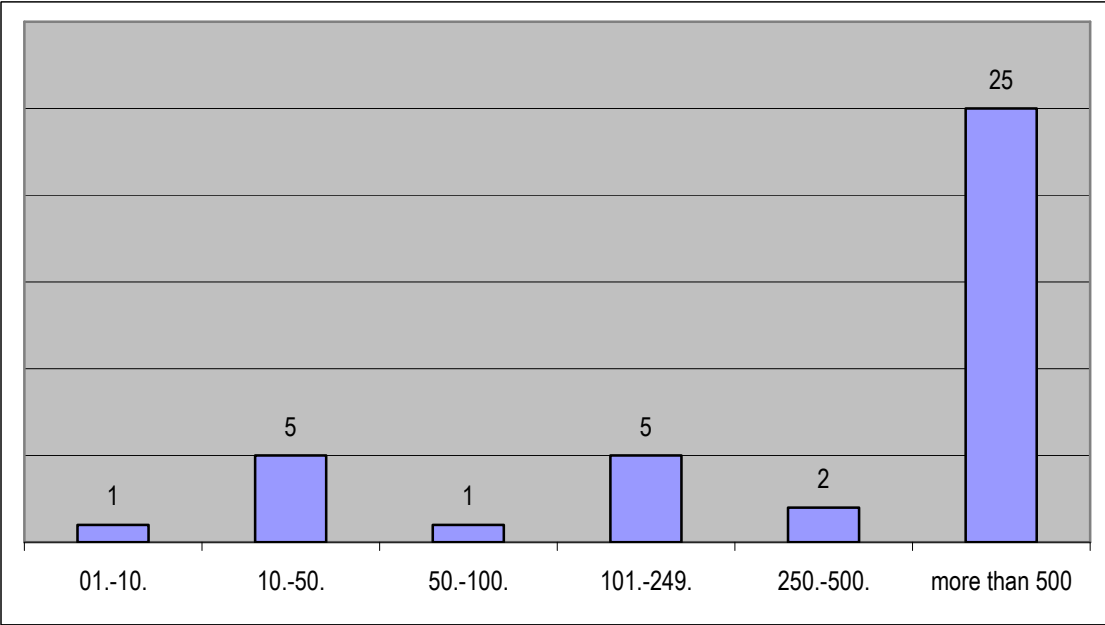


Figure 42: Q “What was your company's turnover in 2008?”

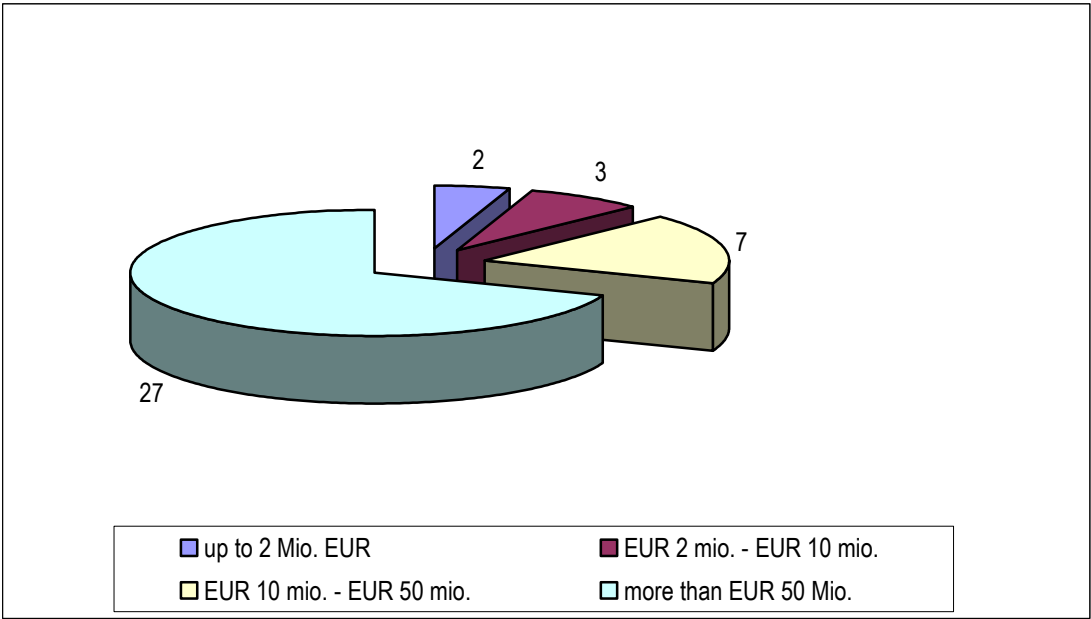
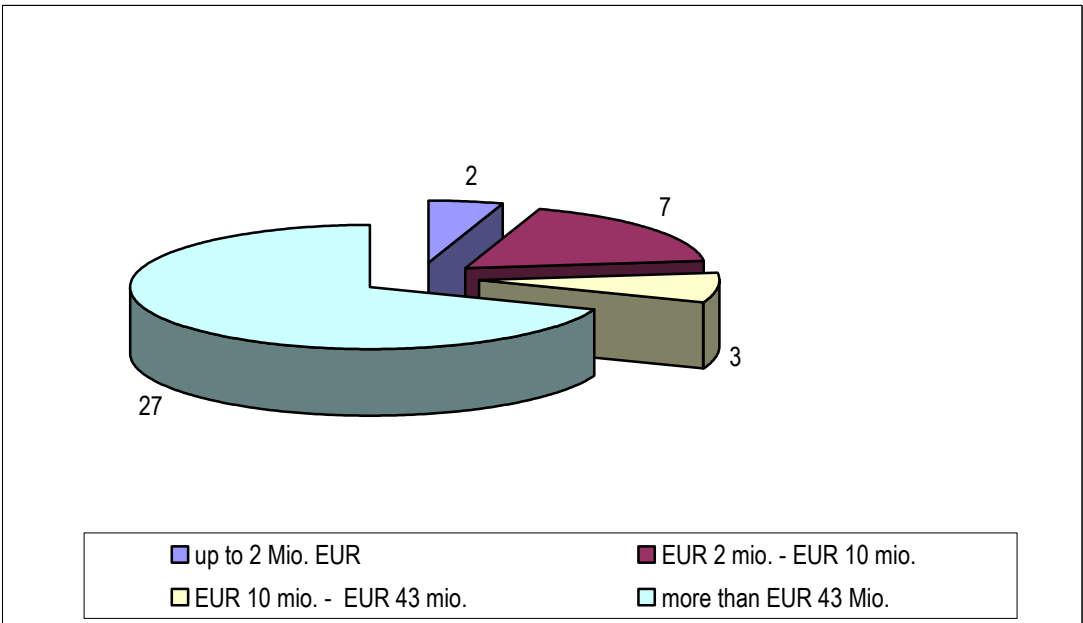


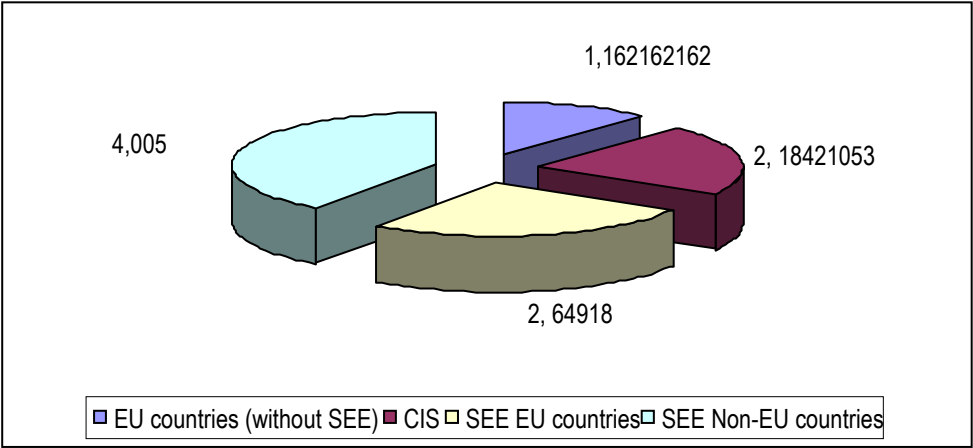
Figure 43: Q “What was your company's total asset in 2008?”



Target market in geographical terms

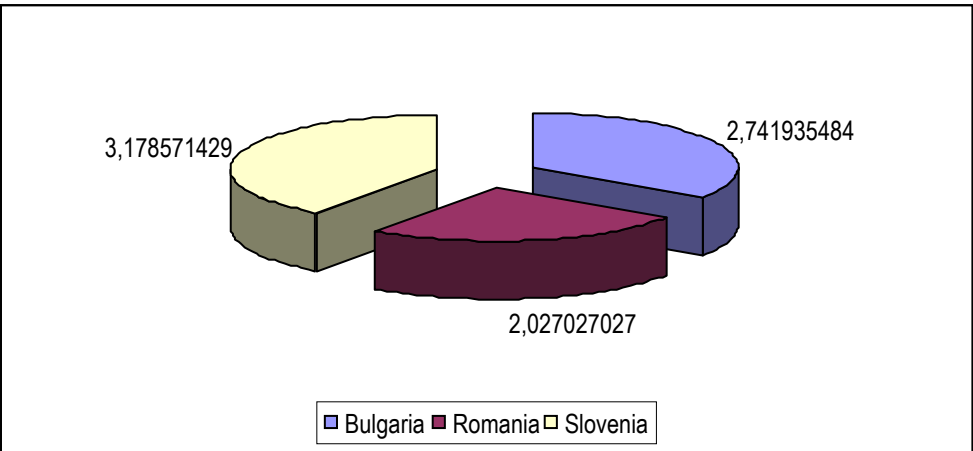
Referring to the geographical target market classified into EU countries (without SEE), CIS, SEE EU countries and SEE Non-EU Countries, a concentration on the EU countries (without SEE) with a mean of approximately 1,162 can be observed. The category of the SEE Non-EU countries has the lowest mean (4,005).

Figure 44: target market in geographical terms



A closer look at the category of SEE EU countries reveals a bigger concentration on Romania (mean: 2,03), than on Bulgaria (mean: 2,74) and even less on Slovenia (mean: approximately 3,18).

Figure 45: target market in geographical terms concerning SEE EU states



The category (d) of the SEE Non-EU countries does not follow the clear determination of the former category. Croatia (mean of 2,9) and Serbia (mean of 3,1) have attracted almost equal attention as geographical target markets. BiH (mean of 3,8) and Macedonia (mean of 3,7) seem to be less important than the former, whereas Albania (mean of 4,7), Kosovo (mean of 4,9) and Moldova (mean of 4,8) have reached the least rating.

Figure 46: target market in geographical terms concerning SEE EU states

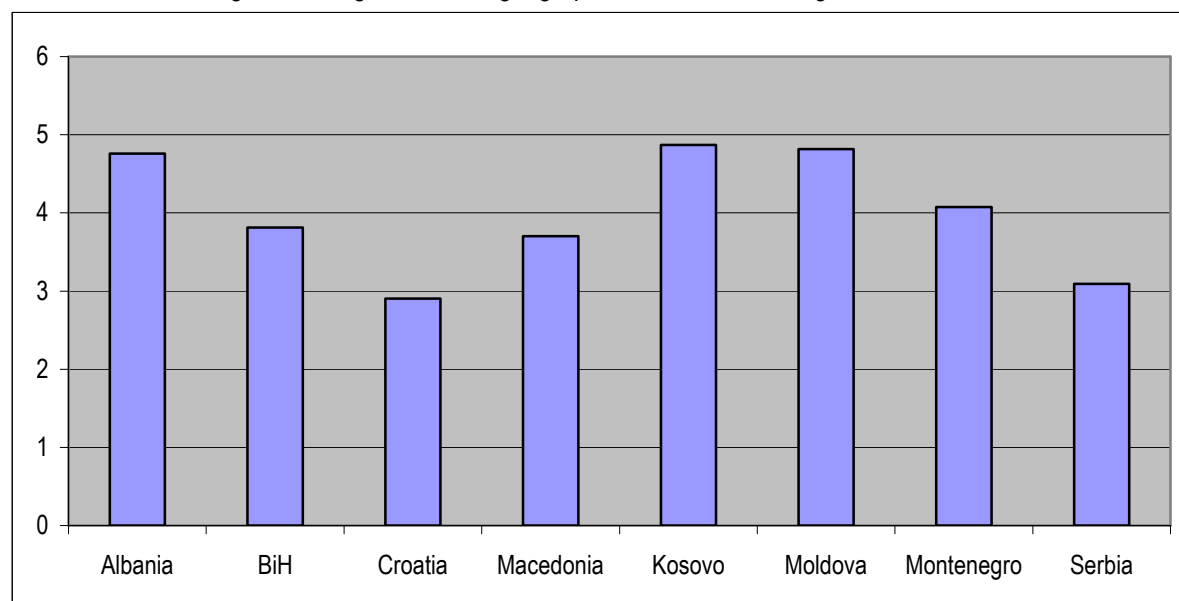


Figure 47: export of sales in 2008

company	in percent	no precise number	no answer
1	60		
2			1
3		25-30	
4		> 90	
5	67		
6		35-40	
7	30		
8	20		
9			1
10			1
11	3		
12	80		
13	40		
14	20		
15	30		
16	70		
17			1
18	14		
19	90		
20		>80	
21	30		
22	90		
23	95		
24		<10	
25			1

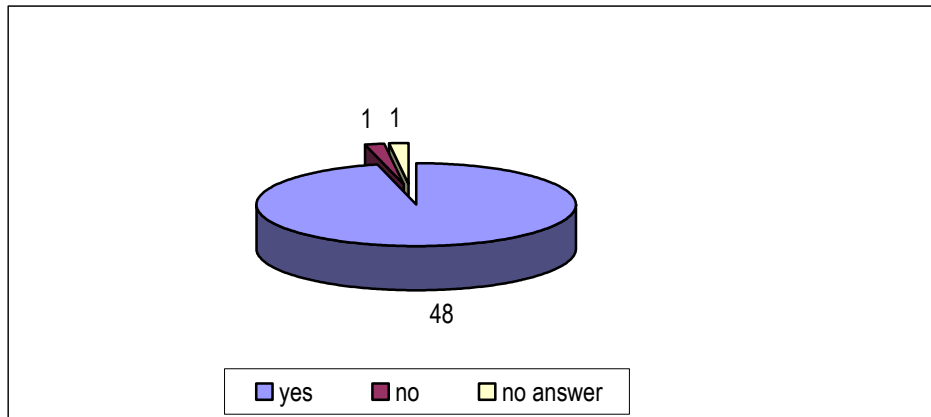
Company	in percent	no precise number	no answer
26			1
27			1
28	80		
29	100		
30	75		
31	60		
32			1
33			1
34	10		
35	70		
36	5		
37	10		
38			1
39	50		
40	5		
41	40		
42	90		
43			1
44	75		
45	35		
46			1
47	77,6		
48	70		
49			1
50			1

XXXIII. INTERNATIONAL ACTIVITIES

As can be seen in figure 47 most of the respondents have business locations internationally. Only 1 company does not have any international location and one actor has not answered.

The business locations themselves are situated all over the world. Some companies have more than one location, while others have concentrated their business on one country. A country-wide specification can not be made due to the structure of the questionnaire.

Figure 48: Q "Does your company have any business locations in any other countries besides Germany?"



XXIV. CONDITIONS REGARDING THE LOCATION OF MACEDONIA

Figure 49: Q "What is the trade volume with the Macedonian partner in the overall trade volume of your company?"

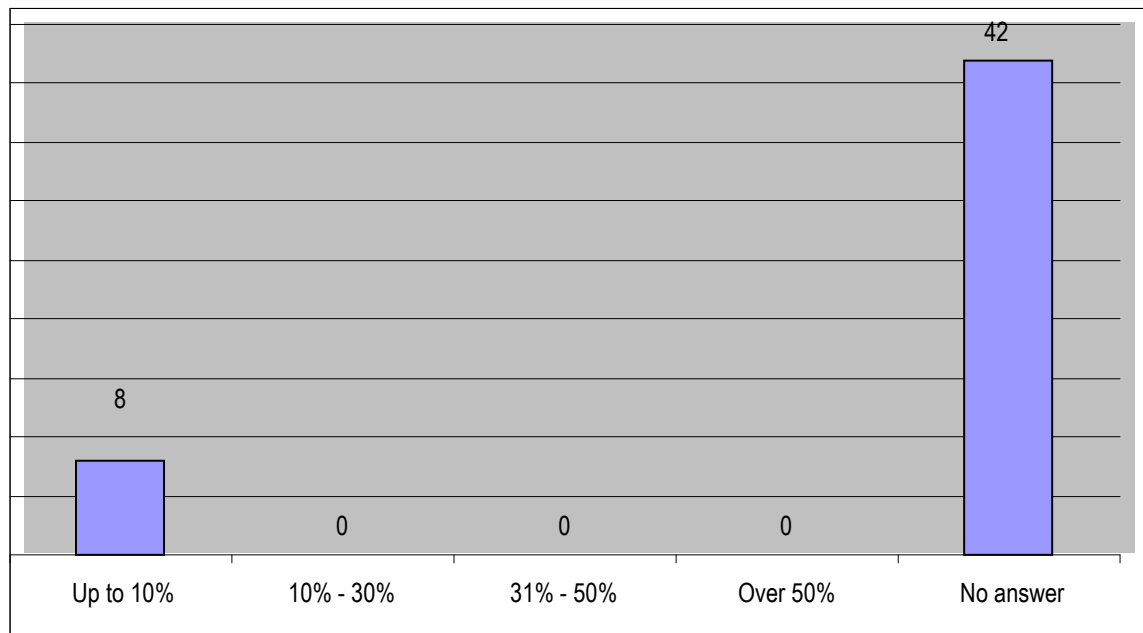
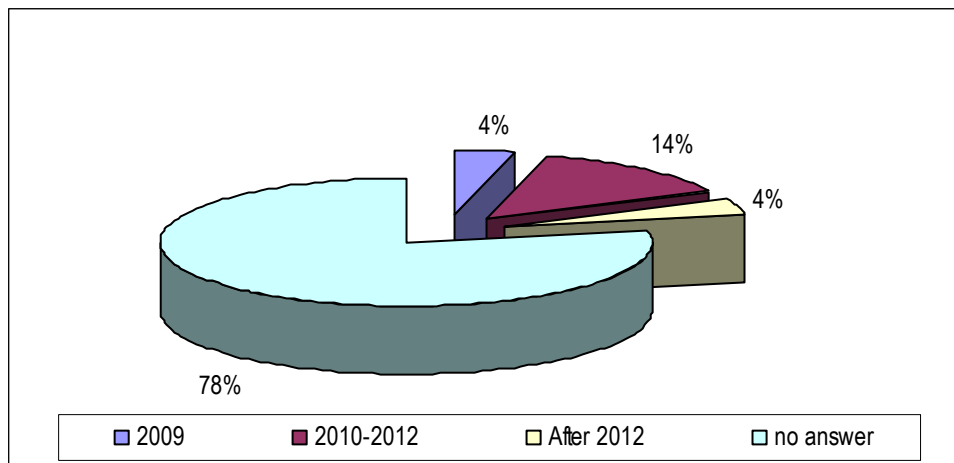


Figure 50: Q "During which period does your company plan to invest in Macedonia?"



XXXV. MACEDONIA IN INTERNATIONAL COMPARISON

Figure 51: Macedonia's attractiveness concerning investment in international comparison

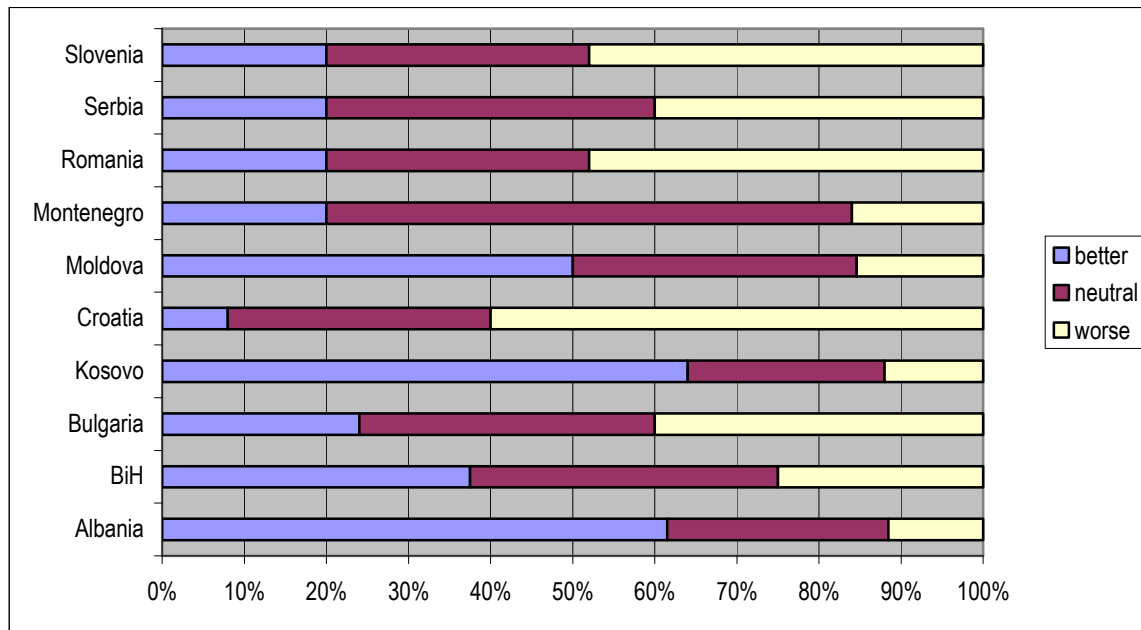


Figure 52: Macedonia's attractiveness as supplying market in international comparison

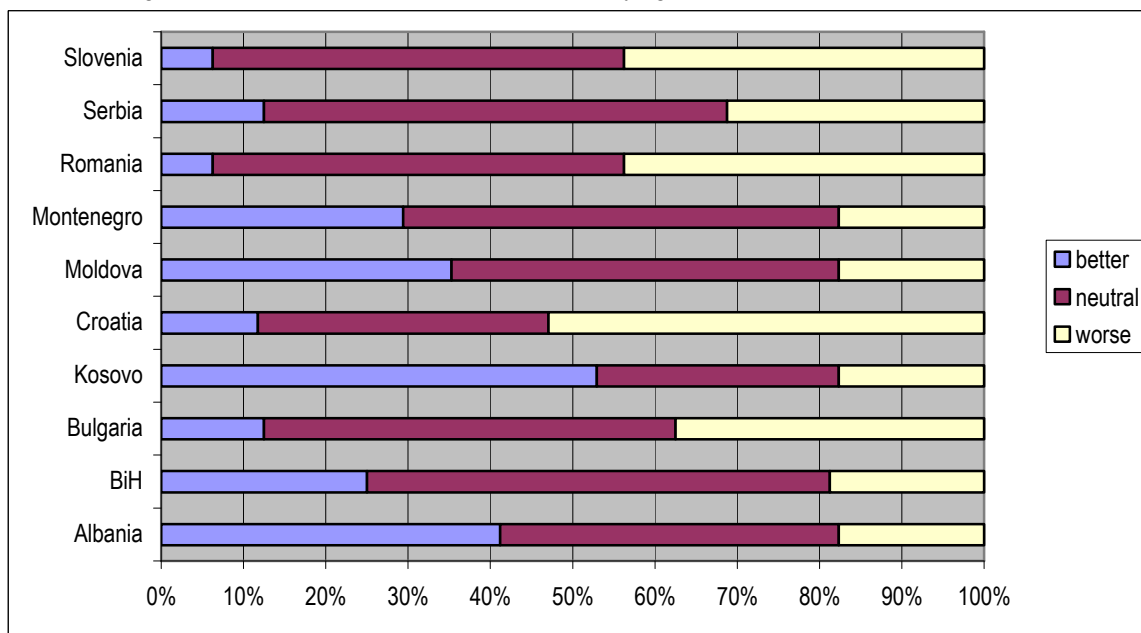
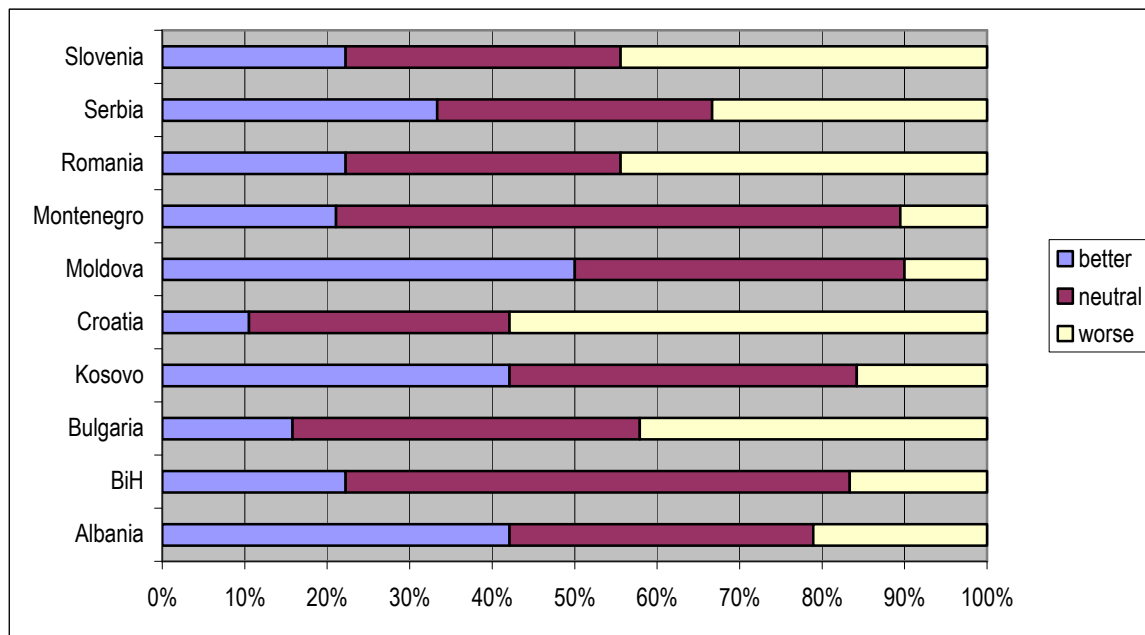


Figure 53: Macedonia's attractiveness as consumer market in international comparison



X. ANNEX II

“Macedonia and its economic and investment potentials”

I. Business information of your company

I.1. Does your company have any business locations in Germany?

- Yes ☐
- No ☐

I. 2. Where in Germany is your company's business located?

I.3. How long has your company been operating?

- Less than 5 years ☐
- 5 – 10 years ☐
- More than 10 years ☐

I.4. In which branch is your company engaged?

If you are involved in more than one branch, please quote the major one.

- Agriculture and food industry ☐
- Financial services ☐
- Automotive industry ☐
- Textile industry ☐
- Metal processing industry ☐
- Chemicals and pharmaceutical industries ☐
- Mechanical engineering sector ☐
- Energy sector ☐
- IT/ Telecommunications ☐
- Building and construction industries ☐
- Transport and Logistics ☐
- Wholesale and retail industry ☐
- Consulting ☐
- Others ☐

I.5. How many people does your company employ in Germany?

- Less than 10 ☐
- 10 – 49 ☐
- 50 - 100 ☐
- 101 - 249 ☐
- 250 - 500 ☐
- More than 500 ☐
- None ☐

I.6. Which target market do you have in economic terms?

- Suppliers ☐
- Please state the branch: _____

Consumer ☐

Please state the branch: _____

I.7. Which target markets do you have in geographic terms?

Please state all your target markets and rate their importance by inserting numerical value in the second column (starting with "1" for the most important market)

EU countries (without South Eastern Europe)	<input type="checkbox"/>	<input type="checkbox"/>
Commonwealth of Independent States	<input type="checkbox"/>	<input type="checkbox"/>
South East Europe – EU member countries	<input type="checkbox"/>	<input type="checkbox"/>
Bulgaria	<input type="checkbox"/>	<input type="checkbox"/>
Romania	<input type="checkbox"/>	<input type="checkbox"/>
Slovenia	<input type="checkbox"/>	<input type="checkbox"/>
South Eastern Europe – none EU member states	<input type="checkbox"/>	<input type="checkbox"/>
Albania	<input type="checkbox"/>	<input type="checkbox"/>
Bosnia-Herzegovina	<input type="checkbox"/>	<input type="checkbox"/>
Croatia	<input type="checkbox"/>	<input type="checkbox"/>
Macedonia	<input type="checkbox"/>	<input type="checkbox"/>
Kosovo	<input type="checkbox"/>	<input type="checkbox"/>
Moldova	<input type="checkbox"/>	<input type="checkbox"/>
Montenegro	<input type="checkbox"/>	<input type="checkbox"/>
Serbia	<input type="checkbox"/>	<input type="checkbox"/>

I.8. What was your company's turnover in 2008?

Up to EUR 2 mio.	<input type="checkbox"/>
More than EUR 2 mio. and up to EUR 10 mio.	<input type="checkbox"/>
more than EUR 10 mio. and up to EUR 50 mio.	<input type="checkbox"/>
More than EUR 50 mio.	<input type="checkbox"/>

I.9. What was your company's balance sheet in 2008?

Up to EUR 2 mio.	<input type="checkbox"/>
more than EUR 2 mio. and up to EUR 10 mio.	<input type="checkbox"/>
more than EUR 10 mio. and up to EUR 43 mio.	<input type="checkbox"/>
More than EUR 43 mio.	<input type="checkbox"/>

I.10. What was the export of your sales in 2008?

Please specify in percent: _____ %

I.11. In case you are exporting, please specify the export destination by stating the percent of exports out of the total exports in 2008

EU countries (without South East Europe)	_____ %
Countries of the Commonwealth of Independent States	_____ %
South Eastern European EU countries	_____ %
South Eastern European Non-EU Countries	_____ %
Other	_____ %
Total exports	100%

II. International operation of your company

II.1. Does your company have any business locations in any other countries apart from Germany?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If not, please proceed to question number II.4.

II.2. Where is your company's business located in international terms?

II.3. How many people does your company employ internationally, additionally to the employees in Germany?

- | | |
|---------------|--------------------------|
| Less than 10 | <input type="checkbox"/> |
| 10 – 49 | <input type="checkbox"/> |
| 50 - 100 | <input type="checkbox"/> |
| 101 - 249 | <input type="checkbox"/> |
| 250 - 500 | <input type="checkbox"/> |
| More than 500 | <input type="checkbox"/> |
| None | |

II.4. Is your company planning to invest internationally?

- | | |
|---------|--------------------------|
| Yes | <input type="checkbox"/> |
| No | <input type="checkbox"/> |
| Perhaps | <input type="checkbox"/> |

If your company is not planning to invest internationally, please proceed to question number III.1.

II.5. If your company is planning any international investment, please state in which of the following regions/ countries (please tick as many options as appropriate):

- | | |
|---|--------------------------|
| EU countries (without South Eastern Europe) | <input type="checkbox"/> |
| Commonwealth of Independent States | <input type="checkbox"/> |
| South East Europe – EU member countries | <input type="checkbox"/> |
| Bulgaria | <input type="checkbox"/> |
| Romania | <input type="checkbox"/> |
| Slovenia | <input type="checkbox"/> |
| South Eastern Europe – non-EU member states | <input type="checkbox"/> |
| Albania | <input type="checkbox"/> |
| Bosnia-Herzegovina | <input type="checkbox"/> |
| Croatia | <input type="checkbox"/> |
| Macedonia | <input type="checkbox"/> |
| Kosovo | <input type="checkbox"/> |
| Moldova | <input type="checkbox"/> |
| Montenegro | <input type="checkbox"/> |
| Serbia | <input type="checkbox"/> |

III. Conditions regarding the location of Macedonia

III.1. How would you assess the extent of your knowledge of the economic situation and economic prospects of Macedonia?

Excellent				Very poor
1	2	3	4	5

III.2. How would you assess the extent of your knowledge of Macedonia as a location for investment?

Excellent				Very poor
1	2	3	4	5

III.3. How would you assess the extent of your knowledge of Macedonia as a market to export to?

Excellent				Very poor
1	2	3	4	5

III.4. How would you assess the extent of your knowledge of Macedonia as a market to import from?

Excellent				Very poor
1	2	3	4	5

III.5. What is your view of Macedonia's current economic situation?

Excellent				Very poor	I do not know.*
1	2	3	4	5	6

* The level of knowledge about Macedonia is too low to give an appropriate estimation.

III.6. How do you view Macedonia's economic prospects for 2009 as compared to 2008?

Excellent				Very poor	I do not know.*
1	2	3	4	5	6

*The level of knowledge about Macedonia is too low to give an appropriate estimation.

III.7 Is your company cooperating with a trade partner in Macedonia?

Yes ☐

No ☐

If not, please proceed to question number III.13.

III.8. If yes, please state the year:

Year: _____

III. 9. What is the status of the Macedonian partner in the trade cooperation?

Supplier ☐
Customer ☐

III.10. What is the value of the trade volume with the Macedonian partner in the overall trade volume of your company?

Up to 10% ☐
10% - 30% ☐
31% - 50% ☐
Over 50% ☐

III.11. How would you judge the current trade cooperation with your Macedonian partner?

Excellent				Very poor
1	2	3	4	5

III.12. How do you think your trade cooperation will be in 2009 compared to 2008?

Excellent				Very poor
1	2	3	4	5

III.13. Has your company invested in Macedonia?

Yes ☐
No ☐

If not, please proceed to question number III.19.

III.14. When did your company start its engagement in Macedonia?

III.15. In which region of Macedonia is your company involved?

III.16. In which branch is your company engaged?

If you are involved in more than one branch, please quote the major one.

Agriculture and food industry ☐
Financial services ☐
Automotive industry ☐
Textile industry ☐
Metal processing industry ☐
Chemicals and pharmaceutical industries ☐
Mechanical engineering sector ☐
Energy sector ☐
IT/ Telecommunications ☐
Building and construction industries ☐

"MACEDONIA AND ITS ECONOMIC AND INVESTMENT POTENTIALS"

Survey of the Committee on Eastern European Economic Relations and the Gesellschaft für Technische Zusammenarbeit.

- | | |
|-------------------------------|--------------------------|
| Transport and Logistics | <input type="checkbox"/> |
| Wholesale and retail industry | <input type="checkbox"/> |
| Consulting | <input type="checkbox"/> |
| Others | <input type="checkbox"/> |

III.17. How would you judge your company's current economic situation in Macedonia?

Excellent				Very poor
1	2	3	4	5

III.18. How do you think your company's situation will be in 2009 compared to 2008?

Excellent				Very poor
1	2	3	4	5

III.19. Does your company plan to invest in Macedonia?

- | | |
|-----|--------------------------|
| Yes | <input type="checkbox"/> |
| No | <input type="checkbox"/> |
- If not, please proceed to question number III.21.

III.20. During which period does your company plan to invest in Macedonia?

- | | |
|------------|--------------------------|
| 2009 | <input type="checkbox"/> |
| 2010-2012 | <input type="checkbox"/> |
| After 2012 | <input type="checkbox"/> |

Survey of the Committee on Eastern European Economic Relations and the Gesellschaft für Technische Zusammenarbeit.

Survey of the Committee on Eastern European Economic Relations and the Gesellschaft für Technische Zusammenarbeit.

Access to the local market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to the regional market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Size of local market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Income per capita	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of local suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[illegible]

Availability of skilled labour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of unskilled labour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of raw material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IV. Macedonia in international comparison

IV.1 In comparison to other South Eastern European countries, how do you see Macedonia's attractiveness as a) a place for investment, as b) a place to supply from and c) a place as consumer market?

1 = better, 2 = neutral, 3 = worse

	a) investment	b) a supplying market	c) a consumer market
	1 2 3	1 2 3	1 2 3
Albania	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Bosnia-Herzegovina	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Bulgaria	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Kosovo	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Croatia	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Moldova	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Montenegro	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Romania	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Serbia	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Slovenia	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

V. Comments

The Committee on Eastern European Economic Relations would like to thank you very much for your co-operation concerning this questionnaire.