

# THE BUSINESS DIMENSION OF THE BELT AND ROAD INITIATIVE: CASE STUDY ON MACEDONIAN COMPANIES



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**MACEDONIAN CHAMBERS  
OF COMMERCE**  
MACEDONIA'S LEADING BUSINESS NETWORK

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## ACKNOWLEDGMENTS

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## ABBREVIATIONS

|       |  |
|-------|--|
| BRI   | Belt and Road Initiative                 |
| B2B   | Business to Business                     |
| CEE   | Central and Eastern Europe               |
| CELSE | China Europe Land Sea Expressway         |
| EU    | European Union                           |
| ICT   | Information and Communication Technology |
| MCC   | Macedonian Chambers of Commerce          |
| POE   | Privately-Owned Enterprise               |
| P2P   | People to People                         |
| SEE   | South-East Europe                        |
| SME   | Small and medium enterprises             |
| SOE   | State-Owned Enterprise                   |
| TEN-T | Trans-European Transport Network         |
| UN    | United Nations                           |

## EXECUTIVE SUMMARY

China's economic ascent, teamed with the opportunities created through its global BRI hold important potential for economic cooperation in the areas of trade, investment, tourism and infrastructure. Thus far, despite the willingness and interest of national institutions and companies, North Macedonia has not managed to make substantial use of the available possibilities. This study examines the underlying reasons and puts forward measures to overcome the challenges and improve the business cooperation. Given the scarcity of original research on this topic in relation to the two countries and in order to collect primary data, the employed research methods consisted of a survey targeting Macedonian companies, 2 focus groups with companies and business organizations and 7 in-depth interviews with representatives from various policy-making institutions.

North Macedonia and China have developed a multi-faceted and multi-stakeholder cooperation in a number of areas. While bilateral trade has been increasing since 2005, there is a lot of space for improvement in terms of exports, especially in the sectors of food and agriculture, metal and chemical industry and in terms of finished products with greater added value. Moreover, regarding the provision of services, the ICT sector offers untapped potential in terms of outsourcing and investments, especially in the start-up community. The first Chinese direct investments to North Macedonia have been registered in 2015, but in terms of total stock it still accounts for only 2.5% of all investments. In addition, the infrastructure and P2P pillars of the BRI offer ample opportunities to respond to North Macedonia's

infrastructure hunger and to attract more Chinese tourists. Nevertheless, in order to leverage the opportunities in these areas, a number of challenges have been identified that need to be addressed.

The majority of companies deem that the Sino-Macedonian economic cooperation has a lot of room for improvement (59,5%), and only 16,7% consider it satisfactory. For most of them access to information is the greatest challenge (57,1%), followed by the lack of institutional support (38,1%). Language and cultural barriers affect 28,6% of all companies, especially SMEs, while mistrust and risk of fraud are a concern for 19% of all respondents. Half of the companies are not at all familiar with the BRI and 45% are not familiar with the 17+1 cooperation between China and CEE, while most of them would be interested to learn more. Barriers to trade and investment, such as tariffs, bureaucracy, lack of transparency and complex regulations, as well as different product standards also act as impediment to the cooperation.

In order to remedy to these obstacles and adopt a strategic approach to the cooperation, a national taskforce should be created to devise an informed China policy, based on thorough consultations with the business community. Once strategic priorities are defined, a bilateral dialogue should be engaged with China through the Joint Committee in order to examine the feasibility of the proposals, explore ways and define specific steps to achieve them. Focal points responsible for the cooperation with China should be designated in the institutions of interest, trained and tasked to follow the cooperation and provide assistance to interested companies. Moreover, regular policy dialogue

should be engaged with the business chambers, especially before important events in order to collect their insights, inform the national positions and come up with innovative project proposals.

Furthermore, the Joint Commission should compile a list of barriers to trade and investments in the priority areas and devise a plan for mitigation and removal. Specific strategy should be developed for

country branding in China, followed by the branding of selected products and implemented with the support of a Chinese marketing agency. Additional efforts should be invested to eliminate or facilitate the bilateral visa regime, create a network of China-professionals that could provide services to Macedonian companies and establish a Business Chinese module at the Confucius Institute in Skopje.

## INTRODUCTION

The People's Republic of China (hereinafter: China) is the world's fastest growing major economy and consumer market which accounts for one fifth of the world consumers. It is also the second largest economy in the world, the biggest exporter and second biggest importer of goods, as well as the largest outbound tourism market. Following its unprecedented economic ascent, China has been increasingly putting forward its own development model and experience as example to support the development of other developing nations. Alongside the launch of its global BRI, China has also pledged to deploy resources to *"help promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development"*<sup>1</sup>.

Both the ambitious global initiative and its regional component – the 17+1 platform for cooperation between China and Central and Eastern European countries include the Republic of North Macedonia among the participants. However, despite the initial enthusiasm, expectations and commitments, in recent years there have been few tangible outcomes that Macedonian leaders could boast with. Given the stated goals of the initiatives to leverage cooperation with China to the mutual benefit of all participating countries, there is arguably untapped potential for cooperation which, if used properly, could yield economic benefits for all sides.

Thus far the BRI has attracted a lot of attention from scholars and researchers, most of which has been directed to the infrastructure, economic and political aspects of the initiative, while the business dimension has been little investigated.

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<sup>1</sup> *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. Belt and Road Portal. Xinhua. March 2015.*  
<https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>

This study provides unique insights into the impact and potential that BRI creates for companies out of China, namely Macedonian companies as a case study.

While imports from China constitute the main and most developed pillar of the business cooperation, based on a review of the national strategic documents related to foreign trade and investment, tourism and infrastructure, **the desired outcome of the cooperation for North Macedonia would be increased exports to China, more Chinese direct investments, more Chinese tourists and alternatives for infrastructure funding.**

In that context, the objectives of this research include:

- to better understand the perceptions, needs and ambitions of Macedonian companies in the context of the BRI;
- to research the current state of play in terms of existing and planned policies for economic engagement with China;

- to examine the extent to which existing opportunities within the BRI could be used to promote the bilateral cooperation;
- to propose specific actions aimed to improve the overall economic cooperation between China and Macedonia.

The study will first present the background and context by shedding light on the BRI and Sino-Macedonian relations in the area of political and economic cooperation, as well as North Macedonia’s participation in the BRI. Then it will focus on the research findings, including the areas with more significant potential for cooperation and the main obstacles to maximize the cooperation to the benefit of both sides, especially from the point of view of Macedonian companies. Finally, conclusions will be drawn and recommendations presented on how to overcome each challenge and achieve the desired outcomes.



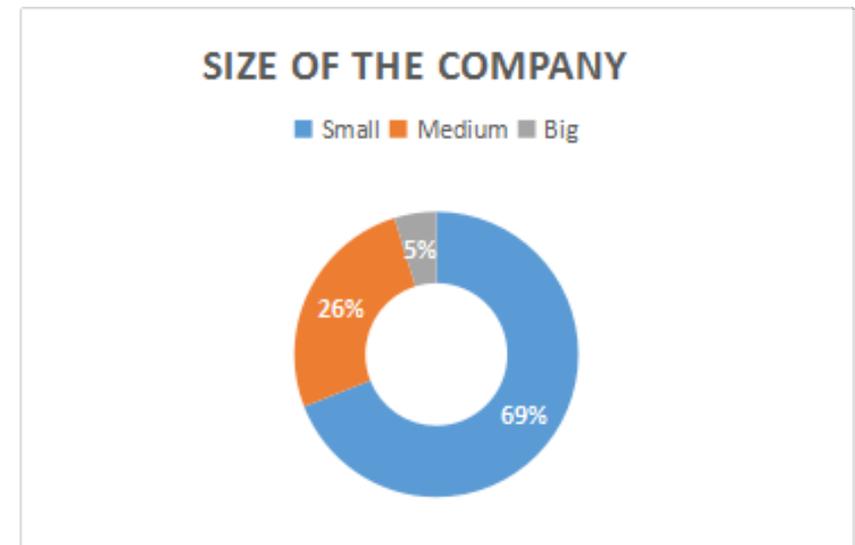
## METHODOLOGY

### PRIMARY DATA COLLECTION

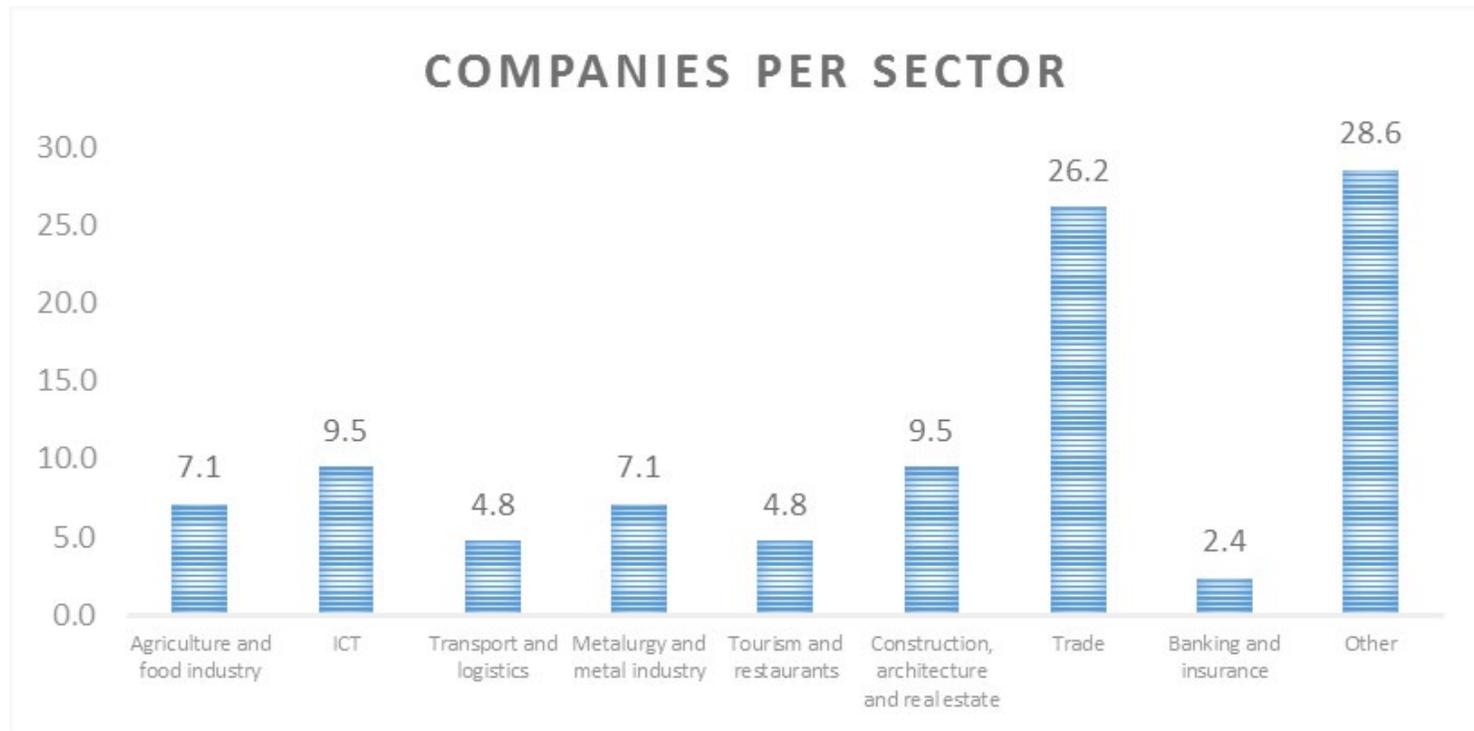
Given the scarcity of existing research on Sino-Macedonian relations and particularly the aspect of the economic cooperation, the research methodology focused on **gathering primary data through a set of quantitative and qualitative research methods**. For this purpose, appropriate research tools were designed based on an initial review of existing primary and secondary sources of information, as well as empirical insights of the author who has been personally embedded in policy-making related to the Sino-Macedonian cooperation.

The data collection methods were specifically selected to target different stakeholders in the cooperation. A **tailor-made online questionnaire** was designed to survey the perceptions, needs and ambitions of the companies as main stakeholders in the area of economic cooperation. It was distributed through the network of the Macedonian Chambers of Commerce, the biggest business organization in the country with around 20 thousand members. In addition, it was also disseminated through sponsored social media ads to target companies who are not affiliated with the MCC as well as through the network of the most popular Macedonian business magazine Kapital. The purpose of the questionnaire was twofold: (i) to map companies who have established cooperation with China, those who have attempted to and those who nurture such ambition; (ii) to obtain specific information about the degree of familiarity with the business opportunities, especially in the context of the BRI, the channels that the companies could use or have used, the obstacles

faced and the good practices. The composition of the respondents in terms of size and sector of the company reflects the actual composition of the Macedonian economy and all the sectors have been represented.



*Chart 1: Distribution of responses per company size*



**Chart 2: Distribution of responses per sector**

In order to overcome methodological limitations, mostly due to the fact that the survey was conducted online, **two focus groups** were conducted with selected companies and business organizations. The focus groups were used to corroborate and deepen the responses provided to the questionnaire and to test the hypotheses and ideas developed following the desk research.

Moreover, **7 semi-structured interviews** were conducted with representatives from national institutions responsible for creating and implementing policies in the area of economic cooperation with

China - Office of the Prime Minister, Office of the President, Secretariat for European Affairs, Ministry of Foreign Affairs, Ministry of transport, Ministry of Agriculture, as well as with Chinese diplomats based in Skopje. Additional institutions were solicited for interview but they either responded that they did not have any cooperation or China-related initiatives (two Ministers responsible for attracting foreign investments and export promotion) or did not respond at all (Ministry of Economy, Agency for Foreign Investments and Export Promotion).

## DATA ANALYSIS

The quantitative data collected was processed and analyzed using Excel sheets and **SPSS software**. The data in SPSS was analyzed employing descriptive statistics such as frequencies and cross-tabulations, which were visually presented in graphs. The qualitative data collected through the focus groups and the interviews was analyzed using **Attride-Stirling's Thematic Network Analysis** technique (2001). This technique organizes the data into thematic networks consisting of basic, organizational and global themes. Then,

the method of **gap analysis** was used to arrange the structure of the recommendations regarding each global theme. This method consists of presenting the current situation, the desired outcomes and the steps to be undertaken to overcome the gap and reach the desired situation. The steps have been defined in the form of proposed policy changes and measures to be implemented by national institutions, as well as good practices that could be adopted by other stakeholders (i.e. companies and business organizations).

## THE BELT AND ROAD INITIATIVE

The BRI was launched at a speech by President Xi Jinping delivered in Kazakhstan in September 2013 where he mentioned the creation of a land “Silk Road Economic Belt”<sup>2</sup>. Supplemented with the “Maritime Silk Road”, the idea was further developed in a policy document which puts forward five cooperation priorities: policy coordination, facilities and infrastructure connectivity, unimpeded trade, financial integration and P2P bonds<sup>3</sup>. While it is difficult to map out all the projects that carry the BRI label across four continents (Europe, Asia, Africa and Latin America), in 126 participating countries, the estimated total value of 2600 identified BRI projects amounts to US\$ 3,7 trillion<sup>4</sup>.

What started as an extremely ambitious but rather vague initiative has been gaining clarity throughout the years. The initial years revealed shortcomings in terms of environmental and financial sustainability, transparency and public procurement procedures, quality of works, impact on the local economies and benefits for non-Chinese companies, etc. Nevertheless, the entire initiative can be described as a “learning by doing” process for all involved stakeholders, which is visible through the evolution of the official narrative throughout the years and especially at the second BRI

Forum held in April 2019 where Xi Jinping stressed the need to build “*high-quality infrastructure that is sustainable, resilient, inclusive, accessible and reasonably priced*” and “*reduce tariffs and remove non-tariff barriers, opening the Chinese market wider to the rest of the world and in turn to embrace high-quality goods imported from all over the world*”<sup>5</sup>.

According to European company representatives, another aspect that the BRI needs to be credited for is the speed of decision-making on large infrastructure projects, the smooth coordination between the Chinese government to provide political impetus, the banks to provide the financing and the companies to do the work<sup>6</sup>. In general, the BRI label on a project always helps to leverage more Chinese financing and expedite investment which would otherwise be more sluggish<sup>7</sup>. Moreover, given the internal political and macroeconomic situation in many of the countries along the BRI, it is oftentimes the only source of financing for some of the projects deemed to be more risky and less viable<sup>8</sup>.

<sup>2</sup> Xi Jinping. Speech delivered in Kazakhstan. Ministry of Foreign Affairs of the PR of China. September 2013.

[https://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpfwzysiesjtfhshzzfh\\_665686/t1076334.shtml](https://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesjtfhshzzfh_665686/t1076334.shtml)

<sup>3</sup> *Vision and Actions. op.cit.*

<sup>4</sup> El-Tigi, W., Rautmann, M. *BRI Connect: An Initiative in Numbers*. Refinitiv. May 2019. p.2.

[https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/reports/refinitiv-zawya-belt-and-road-initiative-report-2019.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/reports/refinitiv-zawya-belt-and-road-initiative-report-2019.pdf)

<sup>5</sup> 习近平. 齐心开创共建“一带一路”美好未来—在第二届“一带一路”国际合作高峰论坛开幕式上的主旨演讲. 新华社. 北京. 四月 2019 年 .

[http://www.xinhuanet.com/silkroad/2019-04/26/c\\_1124420187.htm](http://www.xinhuanet.com/silkroad/2019-04/26/c_1124420187.htm)

<sup>6</sup> *The Road Less Travelled: European Involvement in the BRI*. European Union Chamber of Commerce in China. 2020. p.15

<sup>7</sup> *Ibid.* p.9

<sup>8</sup> Chance, Alek. *American Perspectives on the Belt and Road Initiative: Sources of Concern, Possibilities for US-China Cooperation*. Institute for China-America Studies. November 2016. p.15. <https://chinaus-icas.org/wp-content/uploads/2017/02/American-Perspectives-on-the-Belt-and-Road-Initiative.pdf>

## SINO-MACEDONIAN RELATIONS

### POLITICAL AND SECTORAL COOPERATION

Official high-level contacts between the two countries date back to 1978 and the visit of Hua Guofeng, Mao Zedong's chosen successor to Skopje. Sino-Macedonian diplomatic relations were established in 1993 under the constitutional name at the time - Republic of Macedonia and China has always been perceived as an ally in the struggle for the country's international recognition, especially because of its status as a permanent member of the UN Security Council.

Bilateral relations were severed in January 1999 when Macedonia established diplomatic relations with Taiwan and then normalized again in June 2001 after the Government resumed its previous position on the One-China policy and Taiwan as an integral part of the People's Republic.

Ever since, political relations have been developing smoothly and the bilateral cooperation has been deepening and widening to cover a very broad range of issues. While the trade and economic cooperation represents the core of the relationship, sectoral cooperation has flourished in a number of areas, including public health, education, culture, agriculture, transport, energy, disaster prevention, etc.

Town twinning has been another component in the bilateral cooperation with special links established at the level of local governments between the cities of Skopje and Nanchang, Bitola and Ningbo, Kochani and Wuxi, Prilep and Deyang.

Moreover, China has provided funds for the implementation of a number of aid projects through its development cooperation program since 2007<sup>9</sup>. The disbursement has been enabled through the signature of Bilateral Agreements for Economic and Technical Cooperation which does not follow a strict regular time pattern, but the total funds amount to an average of EUR 1.5 million per year. The implemented projects include the reconstruction of a primary school in Prilep, the construction of a primary school and gym in Drachevo, the E-Education network project, a number of donations in equipment (school buses, special vehicles, scanners for the Customs etc.), as well as an annual training scheme for Macedonian civil servants in China and a number of scholarships intended for Macedonian students at all university levels.

An important impetus in the development of the bilateral relations, especially at the P2P level, was the establishment of a Confucius Institute at the oldest, biggest and best-ranked public university, Ss. Cyril and Methodius in Skopje in 2013, in cooperation with the Southwestern University of Finance and Economics from Chengdu. The Institute provides free Chinese language classes and cultural activities for students, children and ordinary citizens in several cities throughout the country, as well as a special course for civil servants in the capital Skopje.

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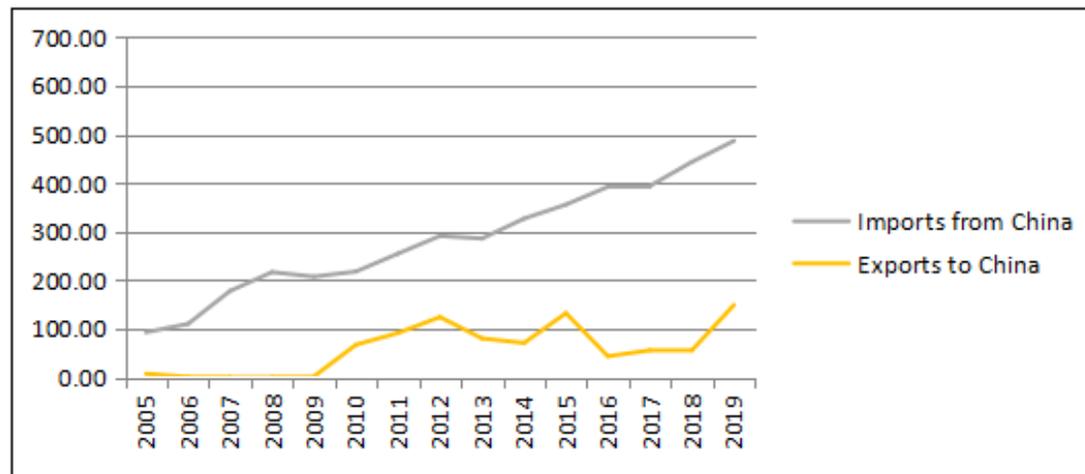
<sup>9</sup> Since 2007, the overall responsibility for donor coordination and management of development assistance has been entrusted to the Secretariat for European Affairs. Between 2002 and 2007, Agreements for Economic and Technical Cooperation between the two countries have been signed by the Macedonian Ministry of Economy, but there is no information on the allocated funds.

## BILATERAL ECONOMIC COOPERATION

China has been identified as economic partner with great potential both as export destination and as source of direct investments, as early as the first export strategy drafted in 1999.<sup>10</sup> The second and last national export strategy published in 2010 also recognizes China as potential market and emphasizes the need of expert knowledge and assistance, especially learning from the experience of successful companies in order to increase exports to the Chinese market<sup>11</sup>. The tourism strategy adopted in 2019 emphasizes the potential of China as the country with the largest number of outbound tourists per year – 98 million, according to the UN World Tourism Organization<sup>12</sup>.

Bilateral trade between China and North Macedonia has been on the rise since 2005, both in terms of goods exports and imports. In the year 2019 exports amounted to EUR 149.05 million, which represents 20 times more than 2005, while imports from China increased 5,3 times to EUR 487 million.

Nevertheless, exports are not rising at a steady pace, there are important annual differences and the trade balance remains largely tilted in favor of China. In 2019, China was North Macedonia's third destination for exports and third source of imports, following the EU and Serbia. When considering individual EU member states separately, China is North Macedonia's ninth export destination and fifth source of imports. In absolute terms, China accounts for 5,8% of all Macedonian imports and 2,3% of all the exports. The structure of exports includes marble, travertine and other types of limestone, metal products, wine, electronic conductors and automotive components, while imports mostly consist of machinery, consumer goods, textiles, iron and steel products.



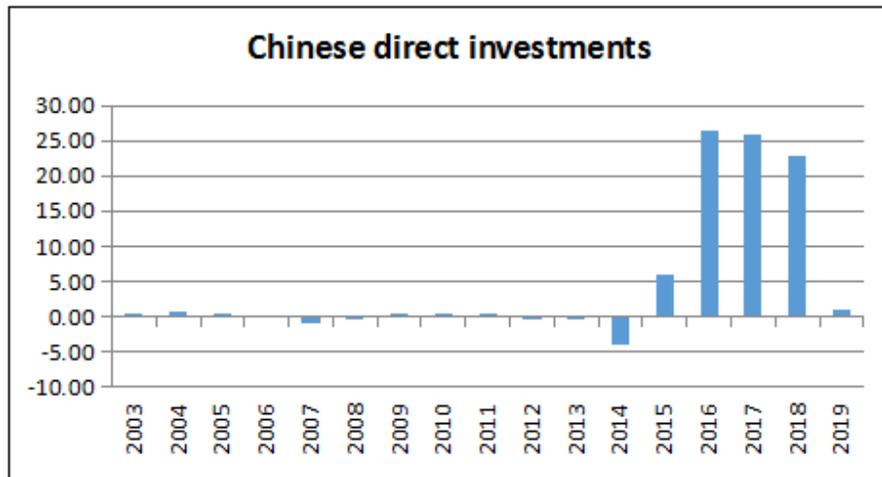
**Chart 3: Sino-Macedonian trade in goods, 2005-2019, in millions of EUR**  
Source: National Bank of the Republic of North Macedonia

<sup>10</sup> Богоев, К. Жиков, А. Блажевски Б. *Стратегија за извоз на Република Македонија*. МАНУ. Скопје. 1999. Стр. 85. <https://bit.ly/3bfsvCU>

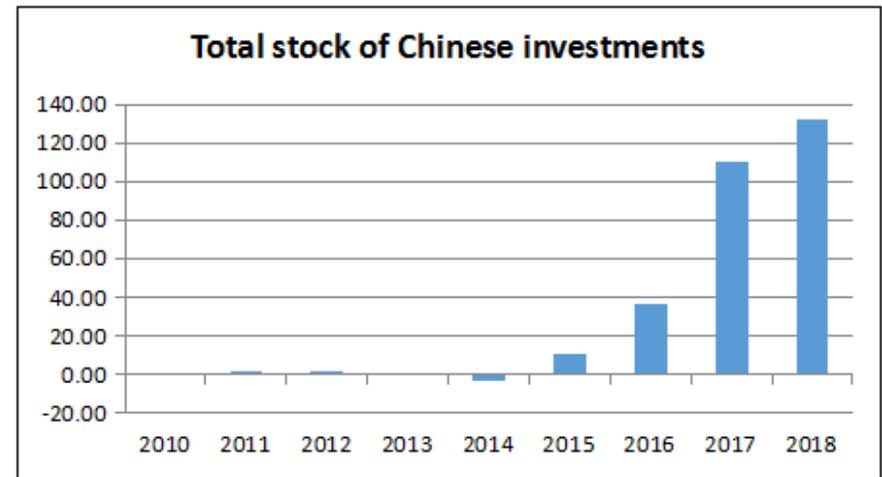
<sup>11</sup> Меѓународна техничка помош за унапредување и реорганизирање на Инвест Македонија за започнување на задачи со цел промовирање на извозот. Министерство за економија. Скопје. 2010. Стр.45. <http://212.13.72.9/StrateskiDokumenti/Strategija%20za%20promocija%20na%20izvozot.pdf>

<sup>12</sup> Хинтерегер, К. Национална стратегија за туризам на Република Северна Македонија. Министерство за економија. Скопје. 2018. Стр.89 [http://www.economy.gov.mk/Upload/Documents/BER\\_Tourism%20Strategy%20Macedonia\\_FINAL%20REPORT\\_16%2004\\_MK%20Edit%202018.pdf](http://www.economy.gov.mk/Upload/Documents/BER_Tourism%20Strategy%20Macedonia_FINAL%20REPORT_16%2004_MK%20Edit%202018.pdf)

When it comes to direct investments, Chinese investments to the country prior to 2015 were virtually inexistent. From then on, there have been occasional small investments in the form of minor green-field projects and acquisitions of foreign companies which own shares in Macedonian companies. They include: the initial Sino-Turkish investment by Weibo group in 2015 of EUR 3,4 million out of the totally announced amount of 316 million which failed to materialize<sup>13</sup>; the expansion of Joyson Safety Systems - an initial brown-field investment in the Technological and Industrial Development Zone in Kichevo by the American company Key Safety Systems in 2015 which was acquired by Ningbo Joyson Electric in 2016 and decided to expand into a green-field investment in 2017<sup>14</sup>; the acquisition of 51% of Duferco International Trading, the company which holds 81,78% of the steel plant Makstil, by Hebei Iron and Steel Group in 2015<sup>15</sup>.



**Chart 4: Chinese direct investments in RN Macedonia, 2004-2019, in millions of EUR**  
 Source: National Bank of the Republic of North Macedonia



**Chart 5: Total stock of Chinese investments in RN Macedonia, 2010-2018, in millions of EUR**  
 Source: National Bank of the Republic of North Macedonia

<sup>13</sup> Foreign Investments Uncovered. Prizma. April 2017. <http://investicii.prizma.mk/en/inv/Weibo-Group>

<sup>14</sup> New Investment by American Company Joyson Safety Systems. Directorate for Free Economic Zones of the Republic of North Macedonia. April 2017. <https://bit.ly/2UaT8TM>

<sup>15</sup> Кинези стануваат газди на „Макстил“!? Фактор. Скопје. Април 2015. <https://faktor.mk/kinezi-stanuvaat-gazdi-na-makstil>

In terms of total investment stock, Chinese direct investments at the end of 2018 amounted to EUR 132,6 million, which represents 2,5% of the total direct investment stock in the country. Out of that amount, owner's equity accounts for EUR 82,84 million and debt instruments for the remaining EUR 49,76 million. While the statistics of the National Bank does not report any Macedonian investments to China, according to the input from the focus groups, there is at least one company that Macedonian business people have opened there.

An important aspect of the cooperation is the allocation of public contracts to Chinese companies. The most notable business deals

include the procurement of computers for all primary and secondary schools from Haier (2007), the construction of the Kozjak hydropower plant by CWE (2002-2009), the procurement of 202 double-deckers from Yutong (2010), the procurement of electric trains from CRRC Zhuzhou Locomotive (2014, 2017), the construction of two highway sections by Sinohydro (2014 – ongoing).

While the sources of funding for all the projects differ (national budget, loans from EBRD and Chinese banks), almost all the contracts have been executed by Chinese SOEs.

## NORTH MACEDONIA IN THE BELT AND ROAD INITIATIVE

The Republic of North Macedonia signed a Memorandum of Understanding with the People's Republic of China in 2015 in order to strengthen mutual cooperation in the context of the Silk Road Economic Belt. The MoU envisages inter alia that the Parties will “encourage businesses in both countries to conduct mutually beneficial cooperation of all forms”, that China will “encourage its companies and financial institutions to engage in and provide financing to infrastructure development in Macedonia”, as well as to “invest and develop in Macedonia in fields such as industrial parks, infrastructure, processing and manufacturing, energy, fishery and tourism”<sup>16</sup>. Nonetheless, despite the positive rhetoric and willingness on both sides to use the BRI to broaden and deepen the cooperation in areas of joint interest, no significant breakthroughs have been achieved so far.

In recent years North Macedonia has been absent from most BRI events, with the exception of the first BRI Forum in May 2018 where it was represented by the Minister for Foreign Affairs. There was not a high level national delegation at the second BRI Forum in April 2019. Moreover, Macedonian companies were not properly represented through national pavilions at any of the two Shanghai Import Expos as was the case with all the neighboring countries, although some products, namely Macedonian wine figured among the offer of Chinese distributors.

However, the country itself is an important nod along one of the BRI's flagship projects – the China-Europe Land-Sea Expressway with its section of the European TEN-T Corridor X. While the respective Corridor X highway has been completed, the rail infrastructure at present fails to meet the criteria for high-speed rail transport. The idea to include North Macedonia in the general plan for rail reconstruction between the port of Piraeus in Greece and Budapest in Hungary appears regularly at 17+1 meetings, but thus far the country has remained outside any concrete plan.

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<sup>16</sup> Memorandum of Understanding between the Ministry of Economy of the Republic of Macedonia and the Ministry of Commerce of the People's Republic of China concerning promoting joint development of the Silk Road Economic Belt under the framework of China-Macedonia Joint Economic Committee. P.2

The initial years of the 17+1 however yielded one landmark project for North Macedonia – the construction of two highway sections Miladinovci – Shtip and Kichevo – Ohrid. The funds in the amount of EUR 810 million were secured by the Chinese Export Import Bank through the US\$ 10 billion credit line for infrastructure in CEE countries. Furthermore, North Macedonia was selected to host the 17+1 Center for Coordination of Cultural Cooperation which was launched in Skopje in March 2018.

Nevertheless, when speaking about concrete economic outcomes, recent 17+1 events, especially the summits in Budapest, Sofia and

Dubrovnik lacked initiatives that would engage North Macedonia more proactively. With the exception of one action plan in the area of agriculture which mostly recycles ideas already mentioned in other bilateral agreements, the country failed to sign any specific agreement that could have positive impact on the business cooperation.

The only positive and constant spotlight thus far has been the participation and interest of the Macedonian business community which shows clear interest to enter the Chinese market and promote both Macedonian products and investment opportunities.



*Macedonian business delegation attending a 17+1 event for SMEs in Budapest, Hungary, 2017*

## MAIN RESEARCH FINDINGS

According to the survey responses, more than one third of the respondents have already established some form of cooperation with Chinese partners (38%). Medium-sized companies take the lead with almost two thirds of the companies, followed by the big ones with one half and the small companies out of which less than a third (27,6%) reported having established business relations with China.

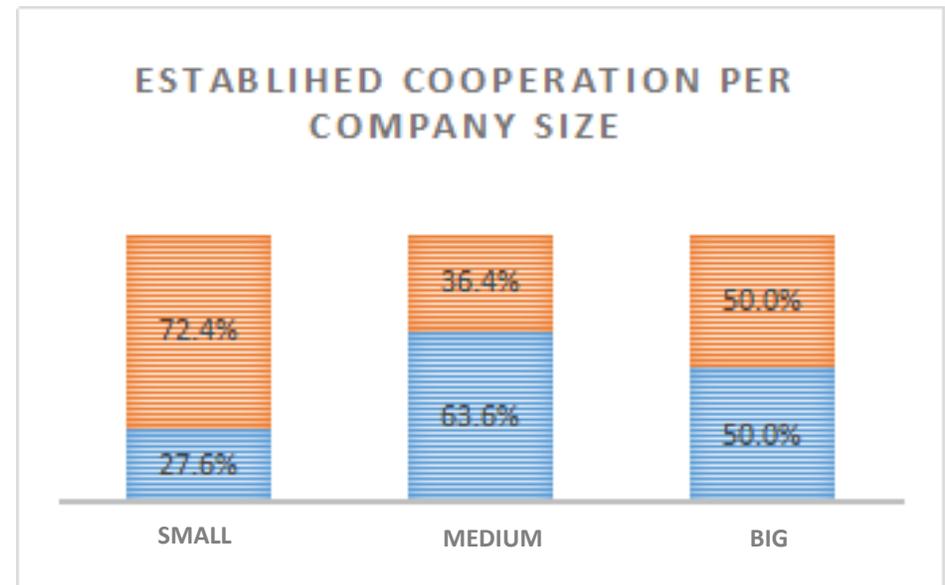
Notwithstanding the methodological caveat related to the small number of respondents per sector, the responses confirm the initial

findings of the desk research. In terms of sectors, most companies that have established cooperation operate in the area of trade, as well as the metal industry.

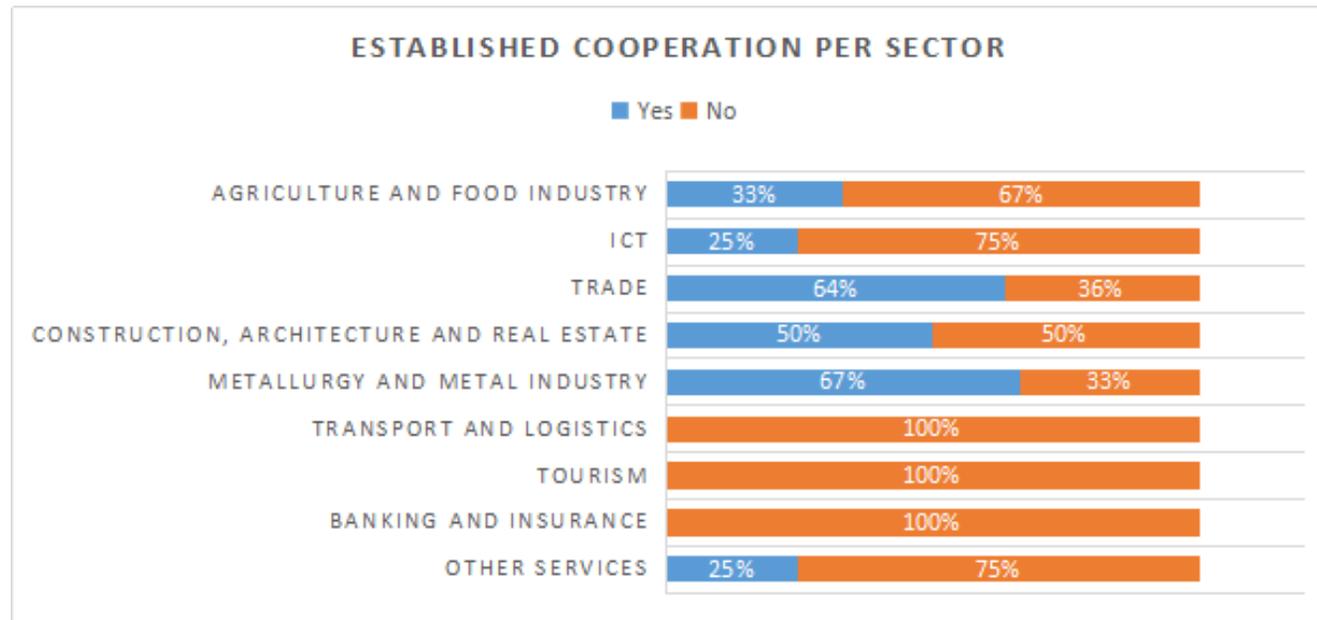
Construction companies also have a significant share in the cooperation which consists predominantly of imports from China, while the cooperation of the food industry consists both of imports and exports. Companies which offer services are less likely to have established cooperation.



**Chart 6: Percentage of Macedonian companies which have established cooperation with Chinese partners.**



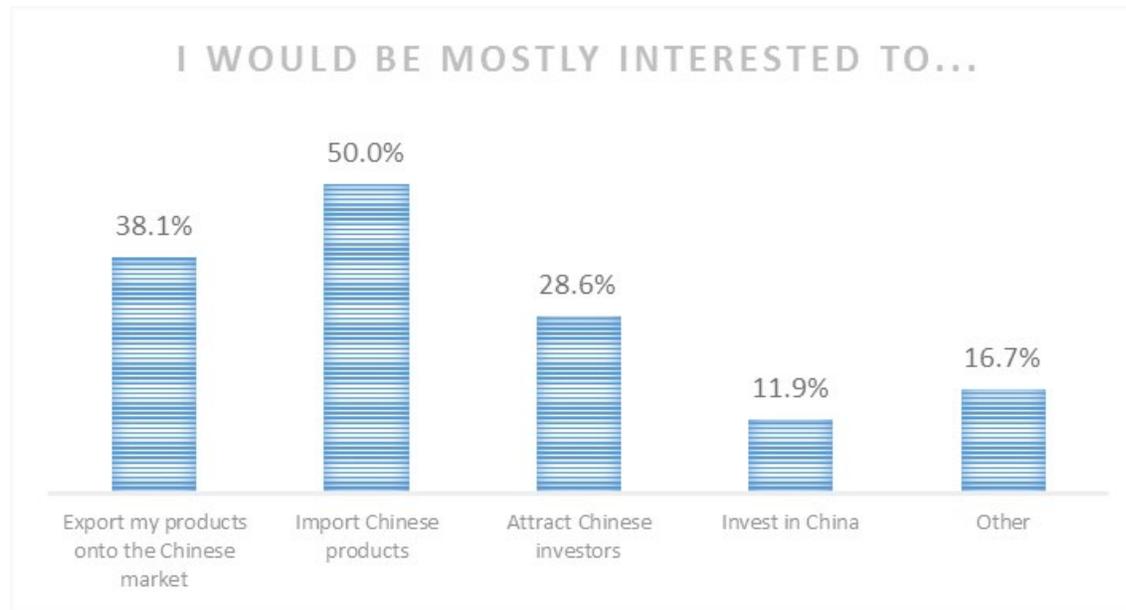
**Chart 7: Percentage of Macedonian companies which have established cooperation with Chinese partners per company size.**



**Chart 8: Percentage of Macedonian companies which have established cooperation with Chinese partners per sector.**

When asked about which aspect of the cooperation the companies would be mostly interested in, emphasis is put on trade. Import of Chinese products interests half of the respondents (50%), followed by the export of their own products onto the Chinese market (38,1%). Investments seem to be of lesser importance with 28,6% of the respondents interested in attracting Chinese investors and a small portion of companies that would consider investing in China if

opportunity presented itself (11,9%). Small companies tend to consider more than one aspect as avenue for future cooperation, while medium and especially big companies are predominantly interested in Chinese imports. When providing additional ideas for cooperation, some respondents put emphasis on the export of services, the use of new financial instruments and development of joint offers to be presented on the Chinese market.



**Chart 9: Interest of the Macedonian companies to develop cooperation in specific aspects.**

## OPPORTUNITIES

The main goal of the BRI is the creation of a network of hard and soft infrastructure to facilitate trade between China and the participating countries. Most of them, including North Macedonia, are eyeing the huge potential of the Chinese market in the hope to increase their exports. This is all the more feasible given the recent strategic turn of the Chinese economy from exports to boosting domestic consumption<sup>17</sup>.

At the second BRI high-level forum organized in Beijing in 2019, three key sectors in which China welcomes more foreign products were put forward by President Xi Jinping in his speech - high-quality farm produce, manufactured goods and services<sup>18</sup>. All of them are areas where North Macedonia offers high potential for cooperation and will be examined in addition to infrastructure and tourism opportunities in the following section.

<sup>17</sup> The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016–2020). Central Compilation & Translation Press. P.5.

[https://en.ndrc.gov.cn/newsrelease\\_8232/201612/P020191101481868235378.pdf](https://en.ndrc.gov.cn/newsrelease_8232/201612/P020191101481868235378.pdf)

<sup>18</sup> 习近平, *op.cit.*

## INFRASTRUCTURE

Funding for infrastructure connectivity as a precondition for development is one of the pillars underpinning the BRI. In the case of North Macedonia, which in 2019 had a national budget of EUR 3,72 billion and total infrastructure needs estimated at EUR 6 billion<sup>19</sup>, additional funds for infrastructure are very much needed. In that context, the European TEN-T Corridor X, which is North Macedonia priority transport axis, coincides with the planned BRI landmark project to create a China-Europe Land-Sea Expressway that would connect the Chinese-owned port of Piraeus with Budapest and further with Western Europe.

While the highway section of Corridor X has already been finished and modernized, the rail section throughout the country remains old and in dire need of reconstruction. It is one of the projects envisaged by national policy makers in the national Single Project Pipeline, but according to the current situation it is not ranked among the priorities and will not be started in the short to mid-term. Namely, as the entire project is divided into sections, only the sections from the northern border with Serbia until the town of Negotino in the central part of the country are mature in terms of project documentation, with an estimated cost of EUR 609 million. The remaining section between Negotino and the southern border toward Greece is yet to be planned and project documentation is to be prepared, as well as all the additional equipment in terms of signalization, control and telecommunications in line with the European Train Control System GSM-R standards.

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<sup>19</sup> Author's calculation based on the Single Project Pipeline prepared and adopted by the National Investment Committee in 2018, whereas only mature projects were taken into account. Breakdown per sector: EUR 2,73 billion for transport, EUR 2,8 billion for energy and EUR 456,2 million for environment. <http://www.sep.gov.mk/data/file/Dokumenti/SSPP.2018.pdf>

Nevertheless, a number of smaller projects are already underway or have been completed to improve rail transport along this route, such as the joint border crossing with Serbia at Tabanovce, the reconstruction of the railway stations and the purchase of new electric trains and locomotives. This indicates that there is awareness about the advantages of rail transport, but a number of issues need to be addressed in order to maximize the rail utility through Corridor X. Recent analyses indicate that BRI's focus on rail could yield benefits for the countries along the route because it provides new logistics options to lower transport costs<sup>20</sup>. First, rail is faster than sea and cheaper than air transport, which makes it especially suitable for goods with high value to weight ratio, such as automotive components; perishable products such as agricultural, food and beverage; as well as products with frequent seasonal changes, such as clothing<sup>21</sup>, all of which range among the more prominent goods in the Macedonian trade with China and in general. Second, rail is more environment friendly than both sea and air which contributes to reduced costs related to the national carbon footprint. Third, the rail along Corridor X as part of the overall BRI rail lines has the potential to connect North Macedonia not only with China, but with other traditional and potential markets as well, both to the East and West.

However, on the downside, at present rail transport is heavily subsidized both in North Macedonia and along the BRI routes in general. Due to the slow and obsolete rail system in the Balkans, especially in terms of passenger transport, travelling by train has been the least preferred and used option, which has even led to a change of mindset and reduced transport on some rail sections to cargo shipments only. Even with the completion of the modernization efforts, additional measures will need to be undertaken to develop

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<sup>20</sup> *The road.... op.cit.*

<sup>21</sup> *Ibid.*

and implement viable solutions for the operation of the railway system, both in terms of freight and passengers. Moreover, given North Macedonia's debt level which exceeds 40% and will further increase with the current pandemic, counting only on traditional

lending will not be a viable option to implement infrastructure projects. Instead, creative funding solutions need to be developed using a diverse set of financial instruments.

## FOOD AND AGRICULTURE

The region of CEE in general, although little known to the average Chinese consumer, enjoys positive reputation in terms of environmental preservation. Agricultural products coming from these countries are considered to be of good quality even when they are not certified organic. On the other hand, despite China's strategic struggle to ensure food self-sufficiency, food still accounts around 6,7% of its imports<sup>22</sup>. Bearing in mind the overall size of the imports, the total amount of around US\$ 138 billion in food imports represents a significant market opportunity. In addition, imported foods gain increasing popularity in China, especially healthy and organic food, as well as products with controlled designation of origin. Nevertheless, in order to be able to leverage these opportunities, Macedonian products need to be branded and properly advertised to reach and appeal to the Chinese customers.

Thus far wine has been the only food product which succeeded to enter the market in certain parts of China. Other food products, such as sugar confectionery, snacks and beverages, have been present at fairs through distributing companies, both Macedonian and Chinese, but have not made any significant breakthrough. When it comes to fresh farm produce, the distance is usually considered too big to transport such perishable products, especially in relation to their low value.



*Macedonian food products at an expo in China*

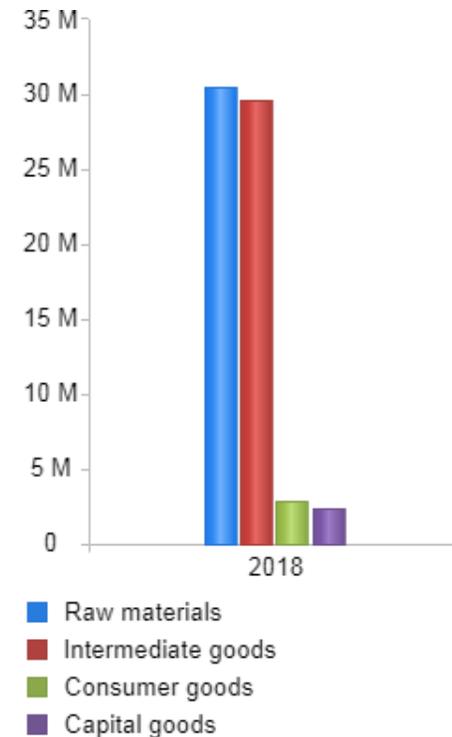
<sup>22</sup> How is China feeding its population of 1.4 billion? China Power. January 2017. Updated October 2019. <https://chinapower.csis.org/china-food-security/>

According to National Bank statistics, exports of agricultural and food products, as well as tobacco account for 9,1% of North Macedonia's total exports and in 2018 they contributed to less than 4% of the exports to China. The Ministry of Agriculture started to consider non-traditional markets (out of the EU and SEE), such as Russia and China, as potential export destinations during the European financial and sovereign debt crisis when many EU countries cancelled the contracts to import Macedonian wine. Since then, the Program for Rural Development (2014-2020) envisages support measures for specific sub-sectors, such as wine production, fresh fruits and vegetables as well as related processed food products. The support consists of co-financing the costs for joint fair presentation, renting and equipment of pavilions, marketing and branding, financing studies related to the placement of those products on the targeted markets, articles in renowned magazines, etc.<sup>23</sup>

## INDUSTRY

The most prominent industrial sectors that have potential to export to China include the machinery and electrical industry, as well as the metal industry. This is related to the overall increase in production capacity in recent years, as well as an increase in their exports. In 2019 they contributed to 33% and 10,4% of total exports respectively. More importantly, metal products accounted for 45% of all the exports to China. While admittedly some companies of these sectors have already made their way to the Chinese market, there is great potential left that could be leveraged with coordinated efforts. Another sector with a significant export dimension which accounts for around 24% of North Macedonia's total exports is the chemical industry. Given that export of chemical products to China currently stands at 0,01%, that could be another avenue for cooperation to consider.

In terms of products at different stages of processing, the lion's share of exports to China consists of raw materials (46,7%). Moreover, with the numerous foreign



**Chart 10: Macedonian exports to China per stage of product processing, 2018**  
Source: World Bank WITS Portal

<sup>23</sup> Национална стратегија за земјоделството и руралниот развој за периодот 2014-2020 година. Министерство за земјоделство, шумарство и рурален развој. Скопје. Декември 2014. <http://www.mzsv.gov.mk/CMS/Upload/docs/NSZRR2014-2020.pdf>

investments in recent years, exports of intermediate goods skyrocketed, especially in the automotive industry. In 2018 semi-finished products accounted for 37,3% of the country's total exports

and 45,3% of all exports to China, while finished products, consumer goods and exports with higher added value account for a very small portion of less than 5% in total.

## ICT AND THE START UP COMMUNITY

Services in general account for a very marginal portion of the cooperation. By achieving a certain level of development, China's economy has upgraded from low-end to high-end manufacturing, from a country which offers cheap labor to a country which outsources certain amount of services to neighboring countries<sup>24</sup>. On the other hand, North Macedonia has transformed itself into an attractive destination for outsourcing, especially in the area of ICT where it offers the advantage of cheaper and highly skilled labor. In 2018 the ICT sector had EUR 862 million in revenues and 10% increase compared to 2017. Out of those EUR 160 million were generated from exports – an increase of 25% compared to 2017<sup>25</sup>. This makes the ICT sector an area which has great potential to generate growth and increase exports, as well as a sector with potential to attract Chinese companies, both for investments and outsourcing.

The Macedonian start-up community is a particular case. With around 130 start-ups according to the narrow definition of the term (technology and innovation oriented company with high potential for growth), it is still in its early phases of development<sup>26</sup>.

Nevertheless, it has thus far demonstrated its capacity by launching several success stories, such as SportyPal, Letz, Brainster etc. The main challenge for Macedonian start-ups is to be able to attend events where usually venture capital investors and business angels seek for profitable investment opportunities.

In this context, an opportunity to present those ideas to Chinese, especially proxy investors, has been identified as potentially beneficial for both sides during the focus groups.

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<sup>24</sup> Sirkin, H. *China's New Worry: Outsourcing*. Forbes. July 2016. <https://www.forbes.com/sites/haroldsirkin/2016/07/07/chinas-new-worry-outsourcing/#43479ac36c20>

<sup>25</sup> Interview with Anita Nikova, Executive Director of the Macedonian IT Chamber MASIT. February 2020. <https://masit.org.mk/en/news/interview-with-anita-nikova-masit-ict-sector-has-great-export-potential-measures-are-needed-to-be-more-competitive/>

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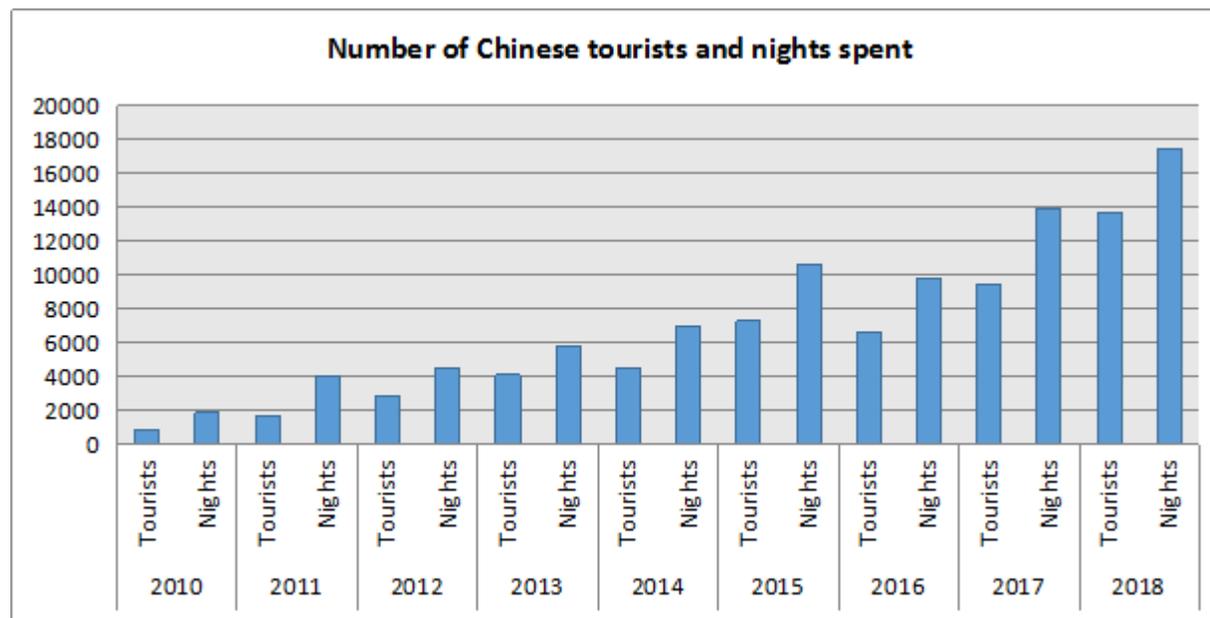
<sup>26</sup> Петровски, И. *Кoj сè е играч на македонската стартап сцена?* Капитал. Скопје. Ноември 2016. <https://kapital.mk/koj-se-e-igrach-na-makedonskata-startap-stsena/>

## TOURISM

Despite the fact that China has been identified in the national tourism strategy as a potential market for attracting tourists, there are no specific activities envisaged by the national Agency for Tourism Promotion and Support to target China, unlike other destinations.

The country has been building a strong brand for tourism promotion through the Macedonia Timeless label, which is little known in China. However, Chinese people are familiar with the Macedonian history and have positive awareness about the country.

Moreover, the type of tourism favored by Chinese tourists has the potential to fill in a significant gap in the Macedonian tourism industry which is most profitable during the summer. Namely, Chinese tourists usually travel as organized tour groups in October, during the winter months and in May, periods associated with Chinese national holidays. They tend to avoid summer activities usually preferred by Europeans, such as beaches, swimming and sunbathing, and rather opt for sight-seeing of both natural and cultural heritage, as well as shopping.



**Chart 11: Number of Chinese tourists and nights spent in North Macedonia, 2010-2018**  
 Source: State Statistical Office of the Republic of North Macedonia

While there is an increase in the number of Chinese visitors to the country, there is ample space for improvement. Chinese tourists usually visit North Macedonia as part of their Balkan trips and stay up to two days, visiting mostly Ohrid and Skopje. North Macedonia is enlisted as an approved destination by the Chinese National Tourism Administration which means that there are no visa issues for group travels. There is already established cooperation of tour operators within the SEE region and at present one Macedonian company reported that they have direct negotiations ongoing with a Chinese-

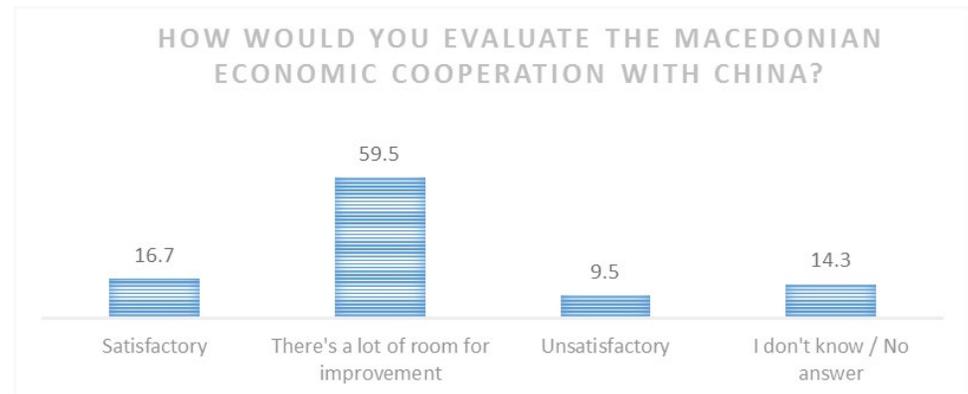
## CHALLENGES

A number of success stories of Macedonian companies cooperating with Chinese counterparts indicate that some of them have the experience and know-how to do business in China. There is obvious interest on both sides with more than 70 Chinese business delegations visiting North Macedonia in 2019 alone and Macedonian companies interested to attend business events in China. In addition, agreements and memorandums have been signed at the level of national institutions and chambers of commerce to facilitate the cooperation. However, at present, the portion of Macedonian companies which have established cooperation is much smaller than those that have tried and failed or those who are interested but do not know where to start. A big share of the established communication has remained at the level of promises and expectations. The following section examines some of the potential underlying reasons.

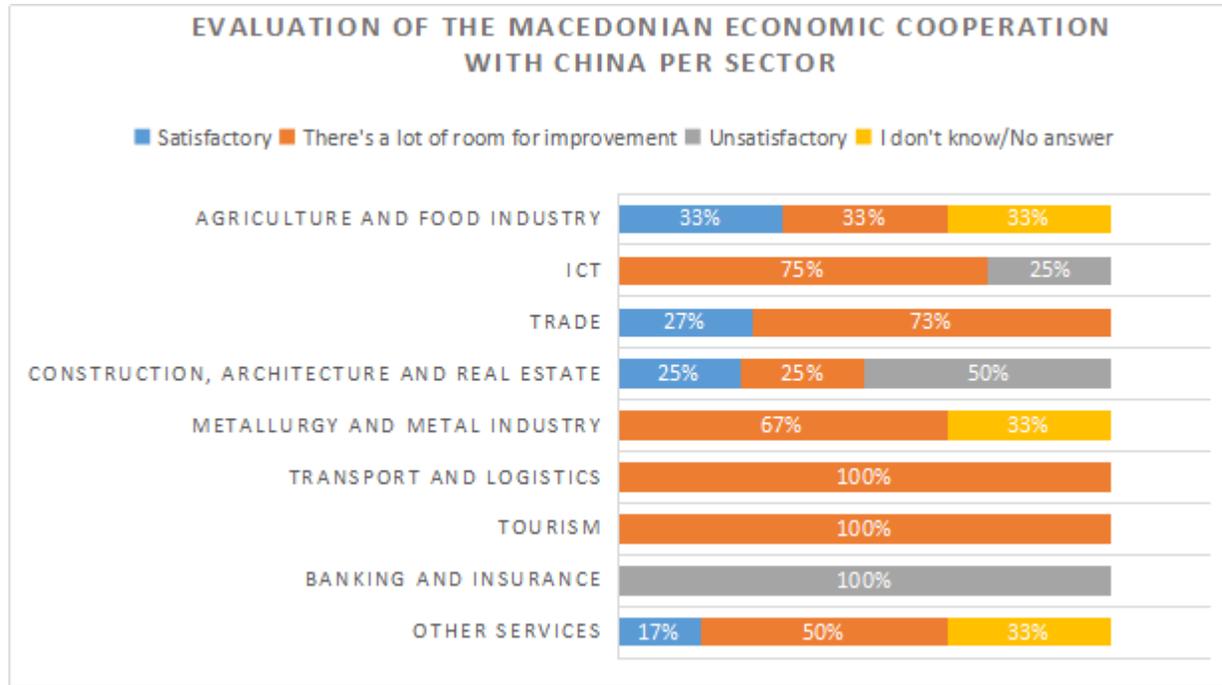
When asked to evaluate the economic cooperation between Macedonia and China thus far, the majority of the respondents deem that there is a lot of room for improvement (59,5%), while only 16,7% consider it satisfactory.

based tour operator to become the pivot operator in bringing over Chinese tour groups to the region starting from September 2020. Further organized efforts need to be directed toward developing content and envisaging measures that would make the country more visible in China and encourage Chinese tourists to stay longer. Promotion of alternative types of tourism (nature, spa, medical, dental etc.) is also an option, provided that there is visa facilitation for individual travelers.

This majority further increases with the size of the company or, in other words, the bigger the company, the more respondents believe that the cooperation needs improvement. When it comes to sectors, there is a correlation between the sectors with established cooperation and the positive evaluation. Companies which do not have established business relations with China tend to rate the cooperation as less satisfactory or do not have an answer.



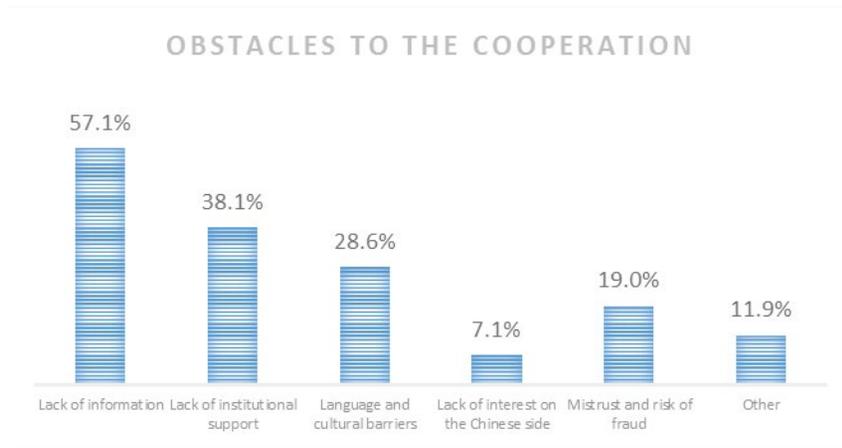
**Chart 12: Evaluation of the Macedonian economic cooperation with China**



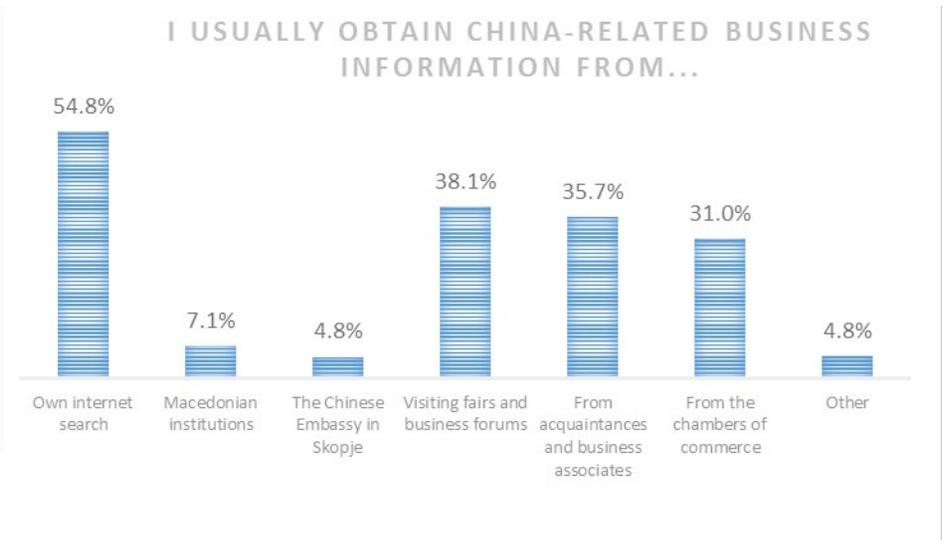
**Chart 13: Evaluation of the Macedonian economic cooperation with China per sector**

When it comes to obstacles for enhanced cooperation, the main identified barrier is the lack of information (57,1%) which is a concern regardless of the company size (62,1% small, 45,5% medium and 50% big companies). All companies also identify the lack of institutional support as a significant problem which affects 34,5% of the small, 45,5% of the medium and 50% of the big companies. 28,6% are also affected by language and cultural differences, especially small, and to

a certain extent medium companies, while big companies have not reported such difficulties. Small and medium companies have also reported lack of interest by Chinese counterparts as an issue, although it is not significant in total numbers (7,1%). 19% of all respondents report mistrust and the risk to be deceived as a barrier, while additional responses suggest that high tariffs and the quality of products may impede imports.



**Chart 14: Obstacles to the Sino-Macedonian economic cooperation identified by Macedonian companies**



**Chart 15: Main sources of information for Macedonian companies**

## ACCESS TO INFORMATION

More than half of the companies who are interested in doing business with China usually obtain their information by conducting their own internet search (54,8%). Other common sources of information include visits to fairs and business forums (38,1%), word-of-mouth from acquaintances and business associates (35,7%) and the chambers of commerce (31%). The order of importance of these three sources is inverted when it comes to small companies which attend less fairs and business forums and rely more on the chambers of commerce.

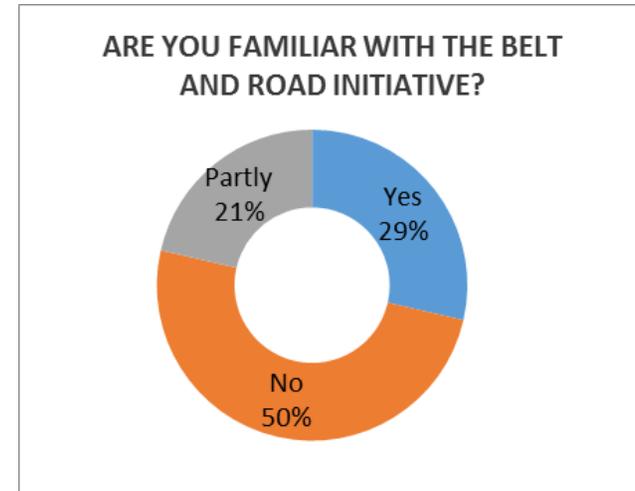
National institutions are not considered to be a source of information, nor is the Chinese Embassy in Skopje.

Macedonian companies are not well informed regarding the Chinese-led regional and global initiatives. 45% of the respondents are not familiar with the 17+1 China-CEE cooperation platform and the situation is even worse when it comes to the BRI which is unknown for half of the companies.

Only less than a third of the respondents claim to be familiar and less than a quarter partly familiar with both initiatives. Yet, absolutely all of the respondents are willing to learn more about them and the opportunities they offer. In addition, a great majority (90,5%) would be interested to attend events that could provide them with closer contacts and possibilities to establish cooperation with Chinese business partners.



**Chart 16: Familiarity of Macedonian companies with the 17+1 China-CEE cooperation platform**



**Chart 17: Familiarity of Macedonian companies with the BRI**

The level of knowledge among the Macedonian business community when it comes to understanding China and the opportunities offered by China-led initiatives, such as the BRI and the 17+1, is very low and by no means an exception to the low level of awareness among the general public.

The inexistence of public debate on China-related issues can be traced back to the lack of original media reporting and the dominance of translated media reports from the foreign press agencies (such as Deutsche Welle, Voice of America etc.) which bring along their own, usually American or Western European topics and narratives<sup>27</sup> (i.e. the USA-China trade war, the issue of Huawei 5G equipment, etc.)

<sup>27</sup> Vangeli, A. *The 16+1 Dubrovnik Summit and the Second BRI Forum: A Macedonian Perspective*. China-CEE Institute. Budapest. May 2019. <https://china-cee.eu/2019/05/03/macedonia-external-relations-briefing-the-china-eu-summit-the-161-dubrovnik-summit-and-the-second-bri-forum-a-macedonian-perspective/>

## INSTITUTIONAL SUPPORT

China and how it works is still a big “mystery” not only for most Macedonian companies, but also the institutions. Despite the size of its economy and unlike the traditional markets in SEE and the EU, China is not in the focus of policy makers neither in terms of trade nor investments. For instance, none of the Ministers responsible for attracting foreign investments has had any initiative to promote the opportunities toward Chinese investors, nor there are units or departments within the economic institutions that follow the economic and business developments in China.

The Ministry of Foreign Affairs has desk officers specifically following China on daily basis, one focusing on political and sectoral cooperation and one on the economic aspects. In other institutions, China is usually supposed to be covered by the sectors/units responsible for international cooperation, among all other countries

and topic, which in the end results in great lack of information and knowledge.

In such a setting, the intensity of the cooperation depends on the personal engagement and enthusiasm of individuals and it is usually reduced to ad-hoc activities before important events. There is a lack of understanding and interest, which leads to a lack of strategic approach and evidence-based China policy. Moreover, consultation with the business chambers in order to inform the dialogue at the level of policy makers is also rare and there are no initiatives to engage the companies which have already penetrated the Chinese market in a learning process to exchange best practices. Macedonian companies are usually left on their own and dependant on consultants who often lack the expertise and deliver more promises than results.

## BARRIERS TO TRADE AND INVESTMENT

Since one of the specific objectives of the BRI is to facilitate the flow of goods, services, capital, people and information, specific measures need to be adopted on both sides to create the appropriate regulatory framework and remove existing barriers to trade and investment. In certain areas and for certain products (i.e. tobacco, frozen lamb meat) mutual protocols have already been signed to enable exports to China, but there has not been any significant outcome because of non-tariff barriers related to different veterinary and phytosanitary standards. Moreover, Macedonian companies are deterred by the bureaucracy related to the registration of individual products in the Chinese administration which is necessary even when it comes to small shipments of samples that would be used to test their attractiveness on the Chinese market.

On the other hand, some Macedonian companies complain about the high tariffs and the lack of precision in the Macedonian Customs rulebooks in terms of descriptions and definitions when it comes to Chinese imports (i.e. hybrid vehicles).

The regulatory complexity and lack of clarity on both sides often acts as deterrent for companies to start looking for cooperation possibilities. Open and result-oriented dialogue needs to be launched in order to determine several areas of interest for both sides, identify and remove barriers to trade and investment. The Joint Committee created with the signature of the Memorandum for Cooperation on the BRI has the potential to be the forum where such issues will be discussed, provided that it does not become a never-ending talk show and words are accompanied with specific deeds.

## PRODUCTION OUTPUT

Given the size of most Macedonian companies and the size of the Chinese market, production output is a serious impediment. Most companies, when considering exports to China would be happy to supply even a fraction of the territory, a province or a bigger city. Grouping between same types of companies and joint market presentation in China is an option to mitigate this challenge. It has been already tested and proved relatively successful in the case of wine exports with the association Wines of Macedonia. However, in order to make such cooperation successful and sustainable beyond merely joint participation at fairs, there are a number of frictions that need to be overcome at the sub-sector level.

First, with regard to mindset, companies need to think of each other as competitors only within the framework of the national market and

as collaborators on other markets. Second, they need to reach consensus on a number of technical issues, such as packaging, labeling, quality, quantity, cost-sharing etc. Third, there are additional marketing issues to consider when exporting brands, as opposite to bulk exports. Fourth, coordination and assistance from chambers of commerce and national institutions would be useful, especially for the creation of links with relevant Chinese counterparts and favorable export conditions.

Finally, regional clustering with companies from the neighboring countries should also be considered, especially in the context of the Regional Economic Area which is already an envisaged political and economic deliverable for the Western Balkans within the Berlin Process.

## BRANDING AND REPUTATION

Given the limited production output, the best option for Macedonian companies to achieve meaningful and sustainable benefit from the presence at the Chinese market is to build a positive brand image and increase the value of their products. However, branding is a process which takes time and resources and thus far, despite the assistance of the institutions to help Macedonian companies enhance their brands and marketing strategies (especially in some sectors such as wine production), most companies opted for the easier and quicker solution – bulk exports of nameless products. One of the reasons for such behavior, especially when it comes to the Chinese market is related to the lack of knowledge and understanding of the advertising means and channels. Traditional Western media and social media used in North Macedonia are either not available or not popular in China and hiring a Chinese marketing company implies financial resources that most Macedonian companies cannot afford.

There have been attempts within the 17+1 cooperation to assign Chinese companies that would assist counterparts from the CEE region to establish contacts and penetrate provincial markets. The most notable one is related to the opening of a permanent CEE exhibition hall in the Waigaoqiao Free Zone near Shanghai, which features a 200m<sup>2</sup> Macedonian pavilion with around 300 agricultural and food products<sup>28</sup>. However, the lack of any significant results thus far has acted as discouragement for the Macedonian side to continue investing efforts, since they believe that there is simply no interest on the side of Chinese companies.



*The Macedonian pavilion in Waigaoqiao Free Zone*

<sup>28</sup> 中国上海自贸区。北马其顿商品中心。 <http://www.ftzicc.com/center/macedonia/>

## LINGUISTIC AND CULTURAL BARRIERS

Language and culture barriers represent an obstacle according to 28,6% of the respondents. While new technologies can mitigate this problem to a certain extent by developing applications for real-time translation from Chinese into English and vice versa, the problem persists, especially when it comes to Macedonian language, since not all Macedonian business people are fluent in English.

In addition, when doing online research to find potential business partners, which is what more than half of the companies reported to be doing, sometimes it is difficult to find partners because not all Chinese companies have English websites. Even many of those who do have, often do not use English key words and do not appear among the top results in the internet search engines.

B2B sites, such as Ali Baba, offer an opportunity to remedy to this situation by providing a comprehensive data base of companies, along with references by clients. Its development in the past decade has gone a long way to ensure credibility and security in terms of delivery, payment and quality, in order to eliminate the risk of scam, which is still a concern for 19,2% of the respondents.

On the other hand, companies which have already established long-standing cooperation with Chinese business partners do not encounter such challenges anymore and do not have any complaints regarding the Chinese business ethics (responsiveness and timely service, completeness and quality of the orders etc.).

## TRAVEL LOGISTICS

Visa issues rank at the top of practical concerns for Macedonian companies. Despite the opportunities of the digital era when it is indeed possible to do business online, companies emphasize the importance of establishing personal contacts and presence at events in China, which entails the need to frequently apply for Chinese visa. On the other hand, Macedonian visa formalities for Chinese citizens also affect Chinese business people and potential investors. Provided they have a Schengen multi-entry visa, Chinese citizens can enter North Macedonia. In lack thereof, while SOE representatives usually hold service passports and are exempted from Macedonian visas, POE representatives hold ordinary passports and need to apply for visa in Beijing, which is not always convenient for those living in other parts of the country.

While some of the countries in the region, such as Serbia, Bosnia and Herzegovina, have introduced visa-free regimes for Chinese citizens, the talks for mutual scraping of visas between China and North Macedonia have been going on for years, to no avail.

Company representatives who frequently travel to China often complain about missing domestic connecting flights. While there are convenient overseas connecting flights, there are no direct flights and Skopje is not included in Chinese airlines' list of destinations. This means that airlines operating domestic flights do not wait for passengers flying to China from Skopje when their overseas flights are subject to delays and do not provide any options to reschedule missed flights, which is not the case for passengers flying in from other destinations.

## CONCLUSIONS

Despite the increased potential for cooperation with China with the launch of the BRI, North Macedonia has thus far failed to maximize its benefits. The Memorandum it has signed in 2015 lays down the foundation for enhanced cooperation, but additional specific steps need to be undertaken for it to yield tangible benefits, especially for private companies on both sides. Strategic, proactive and coordinated approach is needed on behalf of the institutions which have thus far acted mostly on ad-hoc basis. In addition, specific obstacles need to

be addressed, especially in the areas with great potential for cooperation, such as infrastructure, food and agriculture, specific industries (metal, chemical etc.), ICT and tourism. A set of proposed policy measures and recommendations has been developed to overcome the identified gaps in terms of access to information, institutional support, barriers to trade and investment, production output, branding and reputation, linguistic and cultural barriers and travel issues.

## RECOMMENDATIONS

| Desired outcomes  | Policy recommendations   |
|---|--|
| <i>General</i>  |  |
| <b>INCREASED EXPORTS,<br/>MORE DIRECT INVESTMENTS,<br/>MORE TOURISTS AND<br/>INFRASTRUCTURE FUNDING</b> | <ul style="list-style-type: none"> <li>- Create a national China task-force to develop an appropriate China policy that will include strategic priorities and specific measures to attain them, on the basis of an analysis of the current bilateral cooperation and the opportunities available within the BRI and 17+1 cooperation. The policy document should be accompanied with a time frame, necessary resources and responsible organizations/institutions/persons. The taskforce could be chaired by the Deputy Prime Minister responsible for economic coordination and ideally include representatives from the following ministries and agencies: economy, investment, agriculture, tourism, transport, free zones, foreign affairs as well as the Offices of the Prime Minister and President, the business chambers and civil society.</li> <li>- Based on the work of the taskforce, launch a dialogue through the Joint Committee to examine the feasibility of the proposals, explore ways and define specific steps to achieve the priorities.</li> </ul> |
| <i>Specific</i>   |  |
| <b>IMPROVED ACCESS TO<br/>INFORMATION AND TWO-WAY<br/>COMMUNICATION</b>                                 | The chambers of commerce in cooperation with the above-mentioned institutions could prepare and draft quarterly China newsletter with information regarding the latest developments and business opportunities in China, the BRI and the 17+1 cooperation, as well as the activities envisaged and   |

|  |  |
|--|--|
|  | implemented by the national institutions in order to facilitate the cooperation. Regular policy dialogue should be launched by the institution leading the China taskforce with 1-2 meetings per year, ideally several months before the 17+1 Summit and before other important BRI and 17+1 meetings to collect insights from the business community, inform the national positions and come up with innovative project proposals.  |
| <b>ENHANCED INSTITUTIONAL SUPPORT</b>                  | Designate appropriate civil servants in the above-mentioned institutions that will act as focal persons regarding the cooperation with China and provide support to Macedonian and Chinese companies and other interested parties. Provide them with appropriate training (one option would be through the civil servants scheme funded by the Chinese Embassy in Skopje) and task them to follow on regular basis the developments in China in their respective areas.  |
| <b>SOLUTIONS TO PRODUCTION OUTPUT ISSUES</b>           | Based on the identified priority sectors, define a list of sub-sectors and products where companies could join forces in order to present a joint offer on the Chinese market. Consider extending such initiatives at the regional level through the work done within the framework of the Berlin Process and the creation of a Regional Economic Area.  |
| <b>RECOGNIZABLE AND POSITIVE REPUTATION AND BRANDS</b> | Develop a strategy for country branding in China in order to build a positive and recognizable image of North Macedonia. Use the strategy of story-telling to attract Chinese tourists and make a set of selected products more appealing to the Chinese consumers. Use the assistance and services of Chinese marketing companies in order to better define the specific content and channels.  |
| <b>REDUCED BARRIERS TO TRADE AND INVESTMENT</b>        | The Joint Committee should be tasked with mapping of barriers to trade and investment and developing a plan to mitigate or eliminate them, streamlining and simplifying procedures on both sides, especially in relation to the identified priority areas.   |
| <b>REDUCED LINGUISTIC AND CULTURAL BARRIERS</b>        | Through the Chinese Embassy in Skopje and the Ministry of Foreign Affairs, create a network of alumni of Chinese universities in North Macedonia, sinologists, China scholars, consultants and business people with experience in dealing with China (China-professionals) that could provide services and assistance to companies interested in establishing cooperation with China. Inform the business community about the possibilities to learn Chinese through the Confucius institute and devise tailor-made “Business Chinese” module that will teach language and business culture to interested company representatives. |
| <b>TRAVEL LOGISTICS</b>                                | Facilitate or eliminate the visa regime. Should total bilateral scraping of visas be impossible in near future, measures should be envisaged to implement online visa applications or issuance of visa at the border. Examine the options to add Skopje in the list of Chinese airlines to ensure smooth connections between overseas and domestic flights.  |

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**Skopje, May, 2020**