

# Evaluation of Selected Aspects of the Business Environment of the Republic of Macedonia and Foreign Trade Relations with the Slovak Republic<sup>1</sup>

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## Abstract

*The paper focuses on the assessment of the Macedonian business environment based on analysis and comparison of selected global indices and ranks of competitiveness and quality of the business regulation and on the evaluation of the foreign trade relations with the Slovak Republic based on the calculation of the Revealed Comparative Advantage (RCA) Index. The Macedonian market has the potential to develop foreign trade activities with Slovak business entities, on the other hand, it is also a problematic territory to a certain extent, as the current development of Macedonia is marked by the tense internal political situation that has persisted since the elections in April 2014.*

## Key words

*Republic of Macedonia, business environment, competitiveness indexes, business regulation indexes, revealed comparative advantage*

**JEL Classification:** F18, F20

## Introduction

The global financial and economic crisis, later transformed into a debt crisis and a crisis of values, brought new strategic challenges and opportunities for businesses that also encourage the tendency of companies to internationalize their activities. The current turbulent changing conditions in international markets have an impact on the Slovak business entities, whose necessity to participate in international economic cooperation is determined by the nature of the Slovak economy (small internal market, lack of own capital resources, high degree of industry specialization) and, on the other hand, by the world economic situation, dominated by processes of globalization, interdependence and integration and thus by ever-increasing competition. However, Slovak business entities should not exclusively limit their foreign expansion to neighboring markets in Central Europe or the internal market of the European Union, but should also develop business relations in new emerging but little explored regions.

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One of these regions is the Western Balkans and the Republic of Macedonia, which is identified as the country of priority importance within the 1st group in the Strategy of the External Economic Relations of the Slovak Republic for the period 2014 - 2020 (MH SR, 2014). The article focuses on the basic characteristics of the Macedonian economy and the analysis of selected elements of the Macedonian business environment through a number of global indexes and ranks of competitiveness and quality of the business regulation. These, given the fact that they are compiled and published by renowned international institutions, represent a relevant source of external secondary data in the process of international marketing research and the identification of potentially prospective foreign markets for the expansion of business activities. The second part of this article focuses on the evaluation of prospective commodity groups for the possibilities of intensifying the foreign trade commodity exchange between the Slovak Republic and Macedonia based on the Revealed Comparative Advantage (RCA) Index.

## 1 Methodology

The aim of this paper is to evaluate the positive and negative aspects of the Macedonian business environment through analysis and comparison of selected global indexes and ranks of competitiveness and quality of the business regulation in order to determine whether it is a prospective territory for the expansion of Slovak business entities; also to find out if the Slovak Republic has a comparative advantage in the analyzed commodity groups of foreign trade with Macedonia and how it developed during the monitored period. We used the following internationally accepted global indices as a source of data - Global Competitiveness Index, Doing Business, Index of Economic Freedom, Corruption Perceptions Index and Global Corruption Barometer. The basic characteristics of the Macedonian economy were drawn up on the basis of materials of Ministry of Foreign and European Affairs of the Slovak Republic and statistical databases of International Monetary Fund and The World Bank. We also applied mathematical and statistical methods in the process of quantification of the Revealed Comparative Advantage (RCA) Index in individual commodity groups of the SITC (Standard International Trade Classification) for the purpose of detecting the export commodities in which the Slovak Republic has the comparative or competitive advantage. Mathematically, the RCA index can be expressed as follows (Balassa, 1965):

$$RCA_{i1} = (x_{ij} - m_{ij}) / (x_{ij} + m_{ij}) \quad (1)$$

Where:

- x<sub>ij</sub> - the value of the export of the i-th product group of the country sector j,
- m<sub>ij</sub> - the value of the import of the i-th product group of the country sector j.

For the RCA<sub>i1</sub> the following applies:

- If RCA<sub>i1</sub> = -1, export does not exist because x<sub>ij</sub> = 0,
- If RCA<sub>i1</sub> = 1, import does not exist because m<sub>ij</sub> = 0,
- If -1 < RCA<sub>i1</sub> < 0, it induces comparative disadvantage,
- If RCA<sub>i1</sub> = 0, export equals import (x<sub>ij</sub> = m<sub>ij</sub>),
- If 0 < RCA<sub>i1</sub> < 1, it induces the revealed comparative advantage.

The logarithmic variant of the RCA calculation used in the Austrian Institute of Economic Research (WIFO) is more appropriate to reveal the comparative advantage of the Slovak Republic in selected commodity group in the foreign trade with Macedonia because it indicates a comparative advantage or disadvantage of the country in a commodity group and its degree. Mathematically, the logarithmic variant of RCA index can be expressed as follows (Vollrath, 1991):

$$RCA_{i2} = \ln\left[\frac{x_{ij}}{m_{ij}}\right] / \left(\frac{X_j}{M_j}\right) \quad (2)$$

Where:

$x_{ij}$  - the value of the export of the  $i$ -th product group of the country sector  $j$ ,

$m_{ij}$  - the value of the import of the  $i$ -th product group of the country sector  $j$ ,

$X_j$  - value of total export from country  $j$ ,

$M_j$  - value of total import to country  $j$ .

For the  $RCA_{i2}$  the following applies:

- If  $RCA_{i2} > 0$ , the country has a revealed comparative advantage in the commodity group,
- If  $RCA_{i2} < 0$ , it induces the revealed comparative disadvantage in the commodity group.

## 2 Results and discussion

The Republic of Macedonia was formed in 1991 after the dissolution of the Socialist Federal Republic of Yugoslavia and its independence was recognized in 1992. As in one of the few countries of the former Yugoslavia, the process of independence has not been linked to the outbreak of violent conflicts. Macedonia is a small landlocked state located in the central part of the Balkan Peninsula with a population of more than 2 million inhabitants. It borders to the north on Serbia, to the east on Bulgaria, to the south on Greece, to the west on Albania and to the northwest on Kosovo.

As regards the Euro-integration ambitions, Macedonia, as the first state of the Western Balkan region, signed a Stabilization and Association Agreement with the EU in April 2001, which entered into force in April 2004. Subsequently, Macedonia was granted Candidate Country status in December 2005. Despite the fact that the European Commission has recommended seven times to the European Council to open accession negotiations with Macedonia, the Council has not yet taken a consensus on this issue. The accession of the country to the EU is mainly blocked by a dispute with neighboring Greece over the name of the country, which is the same as the name of the northern Greek province, which in the Greeks raises concerns about the possibility of claiming Macedonian territory. In 2008, Macedonia filed a complaint with the International Court of Justice against Greece for violating its rights in the form of a barrier to entry into the NATO. In December 2011, the International Court of Justice upheld one of three Macedonian allegations, but the verdict did not bring any progress in the dispute. At present, in the official documents of the EU and in the multilateral fora, Macedonia acts

under the name "the former Yugoslav Republic of Macedonia", the name under which the country was admitted to the United Nations in 1993. On the other hand, up to 135 states, including the Slovak Republic, have recognized Macedonia under its constitutional name of the "Republic of Macedonia". The increased dynamics of the European and transatlantic integration process could be an impetus for stabilizing the political, economic and security situation in the country and, at the same time, for strengthening economic reforms. However, in recent years, there has been a deterioration in the rule of law, freedom of the media, the judicial independence and the enforcement of law, etc. Regarding membership of international organizations, Macedonia has joined Albania and Montenegro as one of the three countries of the Western Balkans region that are full WTO members since April 2003 (MZVaEZ SR, 2016).

## 2.1 The basic characteristics of the Macedonian economy

Macedonia is traditionally considered to be an agricultural country. In addition to agriculture, employing (20%) of Macedonia's population and accounting for (8.9%) of GDP, the textile, energy and construction industries characterized by the fact that the products produced are not demanding for skilled labor and advanced technology, hold the largest share in the Macedonian economy. Gradually, the services sector's share in the GDP starts to increase, in this respect the country has the potential for tourism development linked to accommodation and restaurant services (MZVaEZ SR, 2016).

Strong domestic demand and export growth resulted in the fact that the Macedonian economy achieved GDP growth rate of (3.8%) in 2015, which in absolute figures was a (16%) increase in the country's GDP compared to the pre-crisis level, with the IMF forecast for the GDP growth rate of (2.2%) in 2016. The year-on-year decline in the estimated economic growth rate is mainly due to declining investment and lower credit growth, reflecting an uncertain political situation in the country. As far as the unemployment rate is concerned, it moves to a high level, but from the beginning of the monitored period its value decreases year on year. In the case of the budget deficit, compared with the previous year, it fell by (0.3% to 3.9%) of GDP in 2015, but given the fact that the Macedonian government adopted two additional budgets in July and August 2016, the budget deficit projection increased from the original (3.2%) of GDP to (4.0%) of GDP. Public debt is on the upward trend from 2010 to 2015 and its forecast for the year 2016 is 47.9% of GDP (note: EU public debt reached (83.3%) of GDP in 3Q/2016) (IMF, 2016). The evolution of the above-mentioned main macroeconomic indicators of Macedonia during the years 2010 to 2015 with the forecast for 2016 is shown in Table 1.

**Table 1** Main macroeconomic indicators for the Republic of Macedonia

	2010	2011	2012	2013	2014	2015	2016
<b>Real GDP growth rate (%)</b>	3,4	2,3	-0,5	2,9	3,6	3,8	2,2*
<b>GDP (EUR bn.)</b>	7,1	7,5	7,6	8,1	8,6	9,1	9,4*
<b>Unemployment rate (%)</b>	32,1	31,4	31,0	29,0	28,0	26,1	25,4*
<b>Inflation rate (%)</b>	1,5	3,9	4,7	2,8	-0,1	-0,2	0,0*
<b>Budget deficit (% of GDP)</b>	2,4	2,5	3,8	3,8	4,2	3,9	4,0*
<b>Public debt (% of GDP)</b>	27,0	30,4	36,4	38,0	43,4	44,2	47,9*

Note: \* - projection, N/A - not available

Source: authors' own processing based on IMF, 2016; The World Bank, 2017

The current development of Macedonia is marked by a tense internal political situation in the country that de facto persists from the elections in April 2014. The then prime minister N. Gruevski and his co-workers were accused by opposition leader Z. Zaeva of corruption, eavesdropping on politicians and journalists, interference with the media, manipulation of previous elections and non-transparent occupation of public sector functions. Under EU and USA interventions in January 2016, N. Gruevski resigned from office, the Macedonian Parliament was dissolved and an official government was set up to prepare early parliamentary elections. However, the EU and the USA proposed their postponement of 24 April 2016 to the June deadline, the main reason being insufficient conditions to ensure the credibility of the vote. Following the abolition of the results of the June elections, the premature parliamentary elections were postponed twice on December 11, 2016 with the victory of the Internal Macedonian Revolutionary Organization - Democratic Party for Macedonian National Unity of former Prime Minister N. Gruevski, who won 51 seats in the Macedonian Parliament (compared to 49 chairs taken over by the opposition Social Democratic Union of Macedonia) (Reuters.com, 2016).

## 2.2 The Evaluation of the Republic of Macedonia in Relation to Global Competitiveness and Quality of the Business Environment Rankings

In the current release of the Global Competitiveness Report 2016-2017, which assesses the level of competitiveness of the economies on the basis of the **Global Competitiveness Index**, Macedonia ranked 68th among the 138 countries surveyed, representing a decrease of 8 places in comparison with 2015-2016. The areas with the most marked deterioration compared to the previous year include for example *higher education and training* (a drop of 30 positions to 76th), *health and primary education* (a drop of 16 positions to 92nd) and *institutions* (a drop of 15 positions to 67th). On the contrary, the areas where Macedonia has improved its position are only three subindices,

namely *innovation* (rising by 7 positions to 51st), *macroeconomic environment* (rising by 3 positions to 44th) and *technological readiness* (rising by 2 positions to 61st) (The World Economic Forum, 2016). The evolution of GCI of Macedonia from 2010 to the present, including individual subindices, is shown in Table 2.

**Table 2** The Macedonia Competitiveness measured by the Global Competitiveness Index (GCI)

	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014	2014 – 2015	2015 – 2016	2016– 2017
<b>GCI Rank</b>	79	79	80	73	63	60	68
<b>Institutions</b>	80	81	78	60	45	52	67
<b>Infrastructure</b>	91	86	81	86	82	78	80
<b>Macroeconomic environment</b>	47	37	47	59	55	47	44
<b>Health and primary education</b>	69	80	77	79	78	76	92
<b>Higher education and training</b>	72	80	81	76	71	46	76
<b>Goods market efficiency</b>	57	63	68	44	38	33	34
<b>Labor market efficiency</b>	71	72	94	79	71	84	95
<b>Financial market development</b>	87	82	79	62	41	52	57
<b>Technological readiness</b>	64	67	71	67	62	63	61
<b>Market size</b>	106	107	104	109	108	108	110
<b>Business sophistication</b>	96	105	111	100	89	72	75
<b>Innovation</b>	97	105	110	86	68	58	51

Source: authors' own processing based on The World Economic Forum, 2010 - 2016

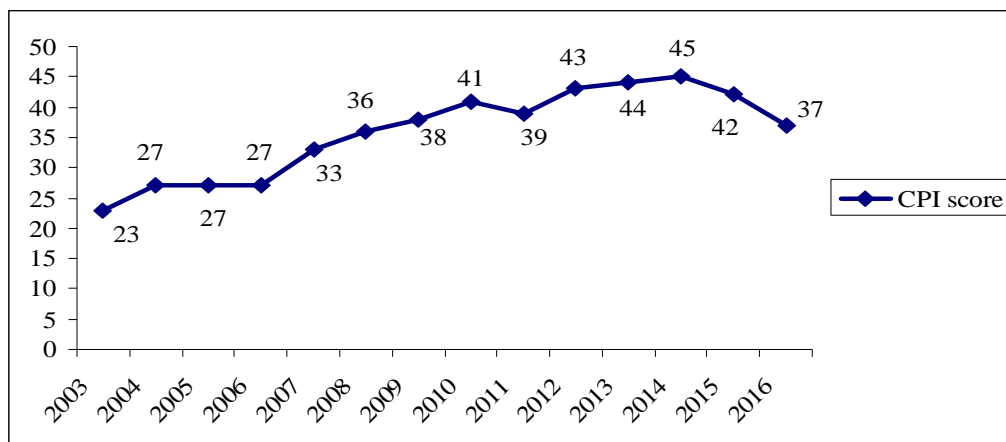
**Doing Business** is an important ranking in the process of evaluation of quality of the business environment. In the current edition of *Doing Business 2017*, Macedonia ranks 10th in the world, representing a two positions improvement over the previous year. At the same time, it has become the Western Balkan country with the best level of business environment regulation, for example the establishment of a company in Macedonia currently only takes two days compared to a ten-day regional average. Besides Armenia, Belarus, Georgia, Kazakhstan and Lithuania, Macedonia belongs to a group of countries that have implemented reforms in all areas assessed within *Doing Business 2017*. The implemented reforms include, for example, the creation of a unified collateral registry for movable property, better access to information in shareholder actions, expanded shareholders' role in company management or strengthened creditors' rights (The World Bank, 2016).

Macedonia ranked 31st among the world's 180 rated economies in the current edition of Heritage Foundation's **Index of Economic Freedom**, in which the variables

examined reflect the state of the previous year. It reached a score of 70.7 points out of 100 and ranked among the „mostly free“ countries. Compared to the 2016 edition, which assesses the state of economic freedom for 2015, Macedonia recorded an increase of 3.2 points. Within the 12 aspects of economic freedom the country recorded the best scores in these areas: *tax burden* (91,9 points), *trade freedom* (86,1 points), *business freedom* (81,5 points) and *monetary freedom* (80,8 points). On the other hand, Macedonia has the worst scores in components: *government integrity* (52,0 points), *investment freedom* (60,0 points), *financial freedom* (60,0 points) and *judicial effectiveness* (61,4 points) (The Heritage Foundation, 2017). The presented results correspond to the analysis of the Macedonian business environment, in which we identified the political instability or the issues of judicial independence as two of the problematic areas of the Macedonian economy.

Due to the fact that the business environment in the Western Balkan countries is characterized by a high level of corruption and clientelism, we also give some indexes assessing the level of corruption when analysing the Macedonian business environment. In the current issue of the **Corruption Perceptions Index 2016 (CPI)** released by Transparency International, Macedonia is ranked 90th out of 176 countries with a score of 37 out of 100 points. Compared to the previous year, this represents a significant drop of 24 positions and 5 points. Within the region of Eastern Europe and Central Asia to which Macedonia is assigned in the index, the worse results among the Western Balkan countries are reached only by Kosovo ranked 95th with a score of 36 points (Transparency International, 2017). The Graph 1 shows the development of CPI score since 2003, when Macedonia was first included in the CPI, to the most recent CPI 2016.

**Graph 1** The development of the Macedonian Corruption Perceptions Index scores (2003 - 2016)



Source: Author' own processing based on Transparency International, 2017

**Global Corruption Barometer**, unlike Corruption Perceptions Index, focuses on the experience of ordinary citizens in providing bribes and corruption in the national economy. We pick out the most interesting findings about the corruption perception in

the Macedonian economy from the regional barometer publication 2016 focusing on the European and Central Asian countries (Transparency International, 2016):

- (34%) of respondents consider corruption to be one of the three most important problems faced by the Macedonian economy, it is the second lowest share of respondents from Western Balkan countries after Montenegro (31%),
- (47%) of Macedonian citizens perceive government measures to combat corruption as inactive and inadequate,
- (12%) of households surveyed paid bribes over the past 12 months in access to basic services, which represents the second lowest share of households in the Western Balkan countries after Kosovo, where (10%) of respondents experience bribery.

In the previous issue of the Global Corruption Barometer 2013, (51%) of respondents said that corruption is a serious problem in their country. (26%) of Macedonian citizens were of the opinion that the level of corruption in the country declined slightly in the past two years, while (29%) of respondents thought there was no change. The institutions considered to be the most corrupt in the country by citizens were mainly judiciary, political parties, public officials and civil servants. As regards giving a bribe, respondents or their relatives in the household paid bribes most often to the police, the judiciary and the healthcare sector during the last 12 months prior to the survey.

### **2.3 The Evaluation of Foreign Trade Relations between Slovakia and Macedonia based on Revealed Comparative Advantage (RCA2) Index**

The relations between the Slovak Republic and Macedonia are governed by the Memorandum of Cooperation between the Ministry of Economy of the Slovak Republic and the Ministry of Economy of the Republic of Macedonia signed on 19th November 2012 in Bratislava. On its basis, a Joint Commission for Economic Cooperation was established between the Ministry of Economy of the Slovak Republic and the Ministry of Economy of the Republic of Macedonia. Until now, a single meeting took place on 22nd - 23rd February 2016 in Macedonian Skopje. Despite the fact that the meeting of the Commission mainly affected the competencies of the Ministries of Economy of the two countries, covering issues such as investment, energy, small and medium-sized enterprises, or support for business activities, bilateral relations between Slovakia and Macedonia also include areas of other ministries and institutions. In order to intensify the development of mutual foreign trade and investment relations the Macedonian-Slovak Business Club was established and its constituent meeting took place on 15th February 2016. The club is the "first contact point" in providing comprehensive services such as legal advice, contact with business partners, translation services for both Slovak and Macedonian business entities (MH SR, 2016).

Macedonia was the only Balkan country with which the Slovak Republic showed a balance of trade deficit over the 2011 - 2015 horizon. This situation was caused by a significant increase in re-exports of precious metal alloys and catalysts for the Slovak automotive industry, which Slovak exports could not compete with in other commodities.

The detailed development of foreign trade between Slovakia and Macedonia is shown in Table 3.

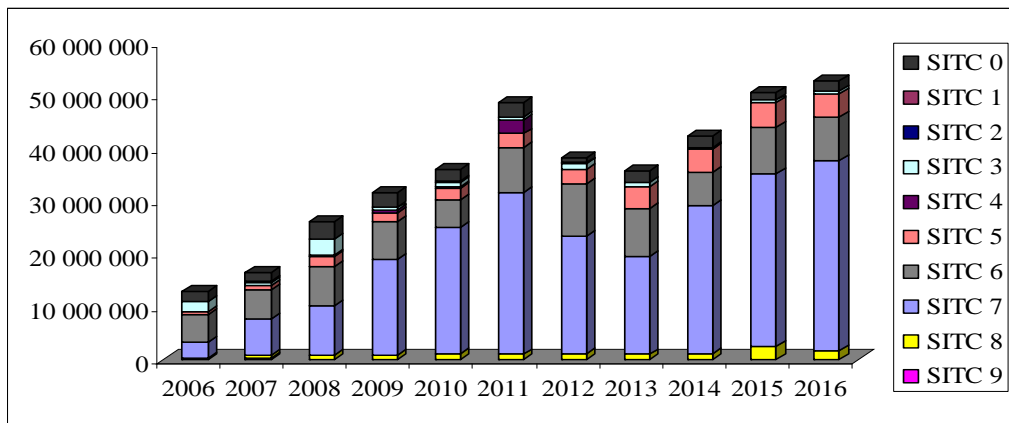
**Table 3** Foreign trade of the Slovak Republic with Macedonia (EUR millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Turnover</b>	17,1	22,1	39,5	48,3	66,1	99,5	97,0	89,7	94,9	107,4	93,3
<b>Export</b>	12,9	16,6	26,2	31,5	36,1	48,9	38,2	35,9	42,5	50,8	52,9
<b>Import</b>	4,2	5,5	13,3	16,8	30,0	50,6	58,8	53,8	52,4	56,6	40,4
<b>Balance</b>	8,7	11,1	12,9	14,7	6,1	-1,7	-20,6	-17,9	-9,9	-5,8	12,5

Source: Author own processing based on Eurostat, 2017

Concerning the commodity structure of Slovakia's exports to Macedonia (see Graph 2), during the monitored period of 2006 - 2016, the commodity group 7 - Machinery and transport equipment held the highest share of exports, followed by 6 - Manufactured goods classified chiefly by material and goods under commodity group 5 - Chemicals and related products were placed in the 3rd position. On the contrary, the minimum share of total exports to Macedonia was held by commodity classes 1 - Beverages and tobacco and 2 - Crude materials, inedible, except fuels.

**Graph 2** Commodity structure of Slovakia's exports to Macedonia in 2006 - 2016 (EUR)



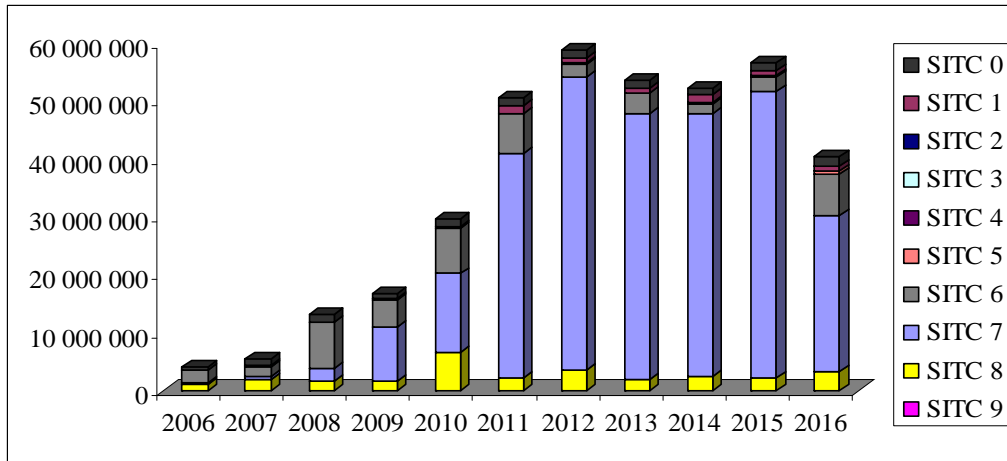
Note: SITC Rev. 4: 0 - Food and live animals, 1 - Beverages and tobacco, 2 - Crude materials, inedible, except fuels, 3 - Mineral fuels, lubricants and related materials, 4 - Animal and vegetable oils, fats and waxes, 5 - Chemicals and related products, 6 - Manufactured goods classified chiefly by material, 7 - Machinery and transport equipment, 8 - Miscellaneous manufactured articles, 9 - Commodities and transactions not classified elsewhere in the SITC

Source: Author own processing based on Eurostat, 2017

In the case of the commodity structure of imports of Macedonian production into the Slovak market (see Graph 3), the commodity groups 7 - Machinery and transport equipment, 6 - Manufactured goods classified chiefly by material and 8 - Miscellaneous manufactured articles were among the most imported commodities. On the other hand,

the smallest share was held by commodity groups 2 - Crude materials, inedible, except fuels and 5 - Chemicals and related products.

**Graph 3** Commodity structure of Slovakia's imports from Macedonia in 2006 - 2016 (EUR)



Note: SITC Rev. 4: 0 - Food and live animals, 1 - Beverages and tobacco, 2 - Crude materials, inedible, except fuels, 3 - Mineral fuels, lubricants and related materials, 4 - Animal and vegetable oils, fats and waxes, 5 - Chemicals and related products, 6 - Manufactured goods classified chiefly by material, 7 - Machinery and transport equipment, 8 - Miscellaneous manufactured articles, 9 - Commodities and transactions not classified elsewhere in the SITC

Source: Author own processing based on Eurostat, 2017

In the case of the Slovak Republic and Macedonia, despite the year-on-year growth of turnover, the untapped potential in the foreign trade commodity exchange, which has so far been significantly under-estimated, still exists. In the next part of this article we will focus on analyzing the comparative advantages of Slovak foreign trade with Macedonia based on the calculation of the RCA index. Our aim was to find out if the Slovak Republic has a comparative advantage in the analyzed commodity groups and how it developed during the monitored period. We decided to calculate the logarithmic version RCA2 used in the Austrian Institute of Economic Research (WIFO), as this indicates a comparative advantage or disadvantage of the country in a certain commodity group and quantifies its degree. Commodity groups according to SITC classification Rev. 4, in which the Slovak Republic has revealed comparative advantage in the foreign trade with Macedonia, are highlighted in bold in Table 4.

**Table 4** RCA2 of the Slovak Republic in foreign trade with Macedonia in 2006 – 2016

SITC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
0	0,06	-0,59	0,22	0,42	0,31	0,87	0,07	0,94	0,75	0,29	0,01
1	0,00	N/A	N/A	N/A	N/A	-11,86	N/A	-11,46	-12,66	0,00	-5,62
2	-0,99	-0,72	-0,80	-0,25	0,57	-2,46	-0,42	-0,94	-2,18	-0,75	-1,17
3	N/A	N/A	N/A	N/A	N/A	N/A	8,56	N/A	N/A	N/A	7,21
4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	3,01	1,44	3,48	4,08	N/A	14,12	10,13	6,95	3,27	3,17	2,25
6	-0,26	0,07	-0,73	-0,24	-0,60	0,26	1,90	1,33	1,56	1,39	-0,11
7	1,74	1,32	0,71	0,06	0,37	-0,20	-0,39	-0,50	-0,27	-0,31	0,02
8	-2,56	-2,31	-1,48	-1,53	-2,07	-0,76	-0,66	-0,29	-0,68	0,21	-0,97
9	N/A	9,07	N/A	N/A	N/A	N/A	-0,62	N/A	N/A	N/A	N/A

Note: SITC Rev. 4: 0 - Food and live animals, 1 - Beverages and tobacco, 2 - Crude materials, inedible, except fuels, 3 - Mineral fuels, lubricants and related materials, 4 - Animal and vegetable oils, fats and waxes, 5 - Chemicals and related products, 6 - Manufactured goods classified chiefly by material, 7 - Machinery and transport equipment, 8 - Miscellaneous manufactured articles, 9 - Commodities and transactions not classified elsewhere in the SITC

N/A - Not Available

Source: Author own processing based on Eurostat, 2017

Macedonia is the only Western Balkan country with which Slovakia showed a balance of trade deficit between 2011 and 2015. Within the analyzed time period 2006 - 2016, we observed the continuing comparative advantages of Slovak exports in commodity groups 0 - Food and live animals, 5 - Chemicals and related products and 6 - Manufactured goods classified chiefly by material. The intensity of these advantages gradually decreases in all three of the most competitive commodity groups. In the most recent assessment of the RCA2 indicator for 2016, the highest value is reached in group 3 - Mineral fuels, lubricants and related materials (7,21) and the lowest in group 0 - Food and live animals (0,01). However, on the part of Macedonian entities there is a demand for Slovak production in which Slovakia does not record a comparative advantage over the period under review. This demand includes, for example, biomass power generation technologies in line with Macedonia's commitments to invest a significant amount of funds in the area of renewable energy sources.

## Conclusion

Despite some positive aspects of Macedonian business environment presented in this paper, mainly the overall political and legal situation in the country constitutes a serious risk, which is also highlighted by the European Commission in its evaluation reports. These factors include, among other things, low law enforcement, judicial

inefficiency, low level of the implementation of legislation, lack of transparency in tenders, bad payment behaviour of Macedonian business partners, ubiquitous family, political and financial ties, corruption, bureaucratic apparatus, unexpired property relations and a large share of the grey economy. It can not be excluded the Macedonian-Greek dispute over the name of the country, since the conflicting relations between the two economies can also have an impact on businesses entities and their activities in the Macedonian market. In the case of the Slovak Republic and Macedonia, despite the year-on-year growth of turnover, the untapped potential in the foreign trade commodity exchange, which has so far been significantly under-estimated, still exists. Within the analyzed time period 2006 - 2016, we observed the continuing comparative advantages of Slovak exports in commodity groups 0 - Food and live animals, 5 - Chemicals and related products and 6 - Manufactured goods classified chiefly by material, on the other hand, there is also a demand for other Slovak production such as biomass power generation technologies. Overall, we can assume that without the thorough organizational, technical and financial reassurance consisting in drawing up a detailed contract, including penalty measures for its non-fulfillment and insurance, the establishment of foreign trade cooperation with Macedonian business partners can not be recommended to Slovak business entities.

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