

# **CANADA, TURKEY AND MACEDONIA BUSINESS CONNECTIONS**

## **THE MOST COMPETITIVE MANUFACTURING LOCATION IN EUROPE**

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June 4th, 2014 Montreal

# Macedonia and Turkey



- Due to historical and cultural mutuality and human bonds Macedonia and Turkey have very close and friendly relations
- Turkey was one of the first countries that recognized Republic of Macedonia
- Turks in Macedonia represent 4% of the total population
- Macedonian government renewed the house of [Mustafa Kemal Atatürk's](#) parents in the western part of Macedonia as well we have Macedonian National Museum of Mustafa Kemal Ataturk in Bitola
- The Turkish authorities allowed Macedonian archaeologists to make a copy of the [Alexander Sarcophagus](#) that afterwards will be displayed in a Macedonian museum
- Macedonian Minister Hadi Nezir - responsible just for relation with Turkey
- FTA agreement signed in 1999, FIPA signed in 1997 and Double Taxation prevention Treatment 1996
- Turkish businessmen have invested over 1 billion euros (1,5 bil CAN \$) in Macedonia in the food, construction and services sectors
- Turkish companies in Macedonia: Cevair Holding (Construction), Sutas (Diary Industry), HalkBank (Finance Sector), TAV (Airports), Ramstore (Shopping center), Stone Bridge and Hilton (Hotels), Acibadem & European (Hospitals), Limak
- New Turkish investment announced in April 2014, VAIBO Group (textile industry) 400 millions dollars and will create 5000 jobs
- Three more Turkish companies announced investment in Macedonia (Total, Matek & Istem)

# Macedonia and Canada



- Macedonia opened an Embassy in Ottawa and Consulate General in Toronto in 1996
- Canada is represented in Macedonia by the [Embassy of Canada in Belgrade](#), Serbia, but maintains a Consulate in Skopje, run by an Honorary Consul
- Macedonia and Canada foster excellent bilateral relations with positive developing dynamics without having open issues
- Founded in 2008, the United Macedonian Diaspora (Canada) is a registered Canadian charity addressing the interests and needs of the Canadian-Macedonian community. Approximately 250,000 Macedonians live in Canada
- At the provincial level, Quebec and Ontario accounted for more than 80% of Canada's total exports to Macedonia
- Canada Launches Investment Negotiations with Macedonia (FIPA 2013)
- Concluded agreement on air services between the two countries.
- Currently we are working on FTA and establishing direct air connections
- EDC Office in Istanbul is responsible for Macedonia
- There is great potential for increased Canadian investment in Macedonia—especially in the transportation, information and communication technology, agri-food, tourism, mining, environmental technologies, financial advisory services, construction and real estate sectors

# Opportunities for Canadian Companies



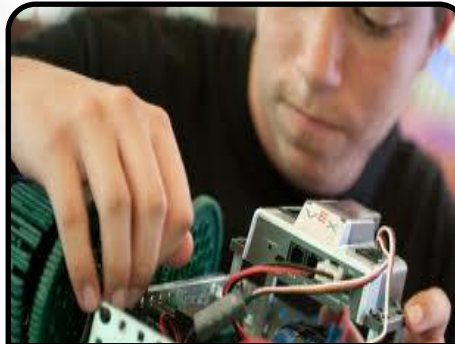
The most pro-business country in Europe!

**Do Business in Macedonia - Higher profits for you**

# Increase Your Competitiveness



Excellent  
Incentives



Quality  
Workforce

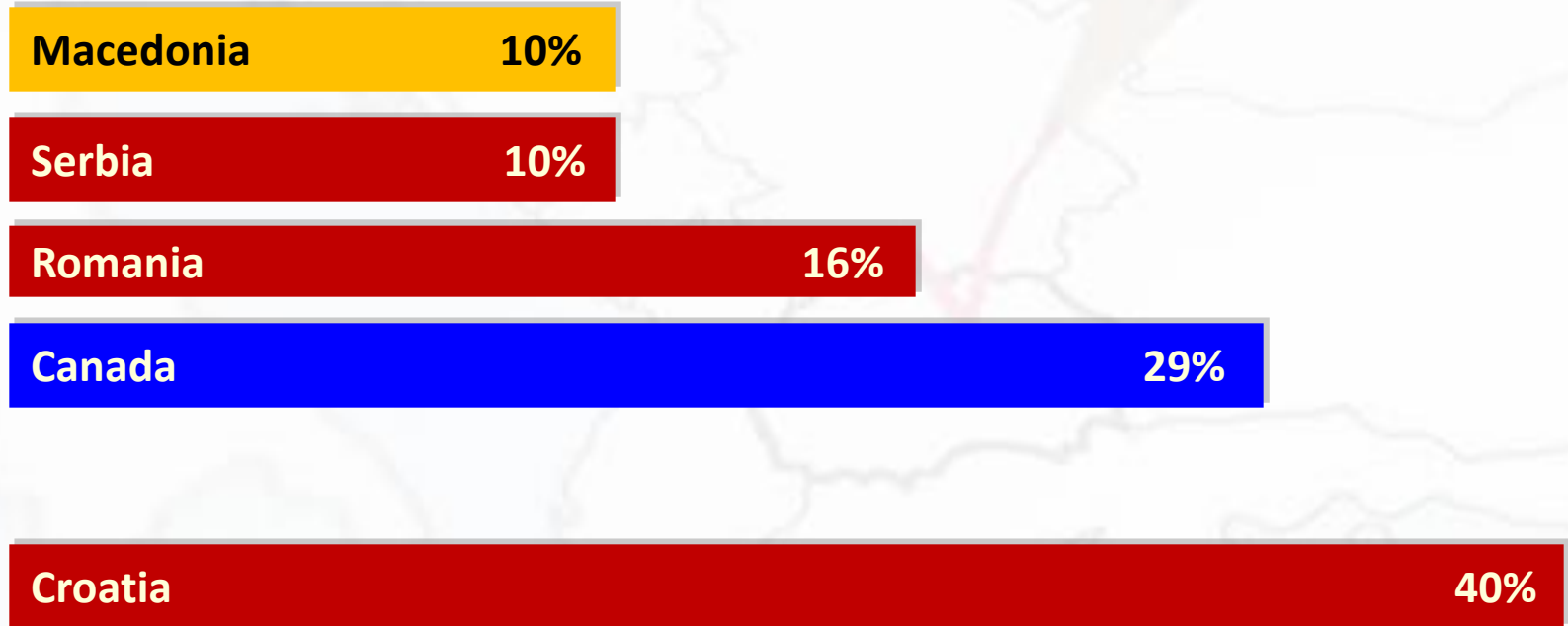


Great  
Location

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# Excellent Incentives

## Lowest taxes in the region



Source: PricewaterhouseCoopers, [Taxes at a Glance 2012](#)

## Personal Income Tax

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# Excellent Incentives

## Unbeatable Tax Benefits – Free economic zones

<b>CUSTOMS DUTIES</b>	<b>RATES OUTSIDE THE ZONE</b>	<b>RATE IN THE ZONE</b>
Raw Materials	0% - 15%	0%
Equipment	5% - 20%	0%

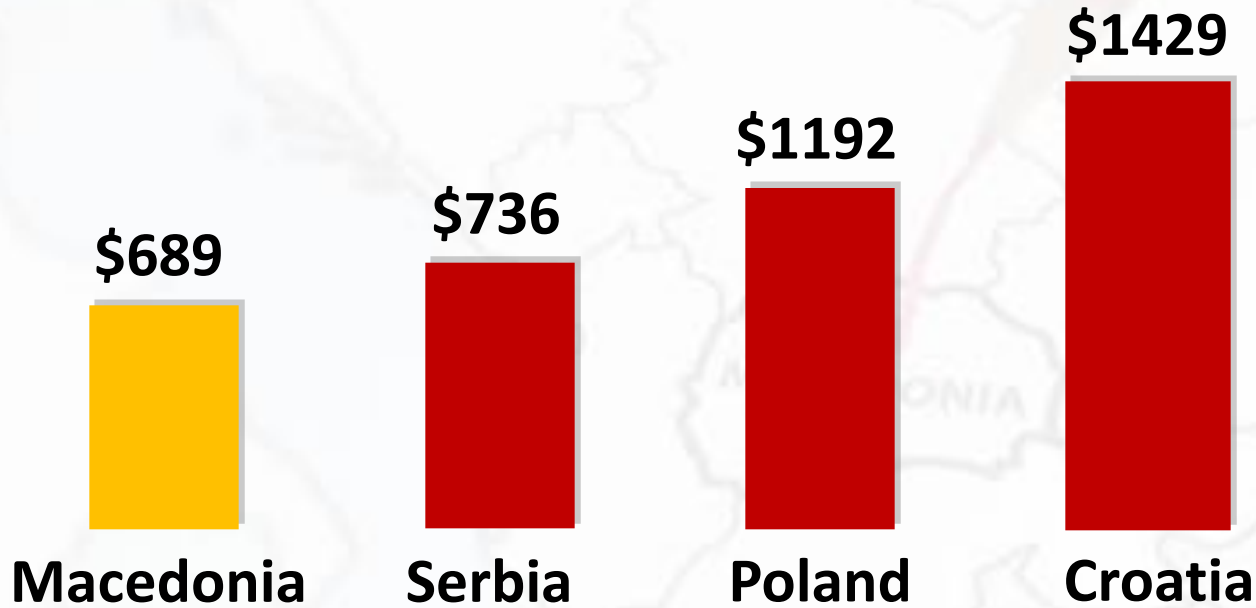
<b>TAX DUTIES</b>	<b>RATE OUTSIDE THE ZONE</b>	<b>RATE IN THE ZONE</b>
Corporate Income Tax	10%	0% for 10 years
Value Added Tax	18%	0%
Personal Income Tax	10%	0% for 10 years

- State aid – up to \$675,000.00 for construction costs
- 0% tax on retained earnings
- No double taxation with European countries
- Green customs within the zones

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# Excellent Incentives

Lowest average gross monthly salaries in region



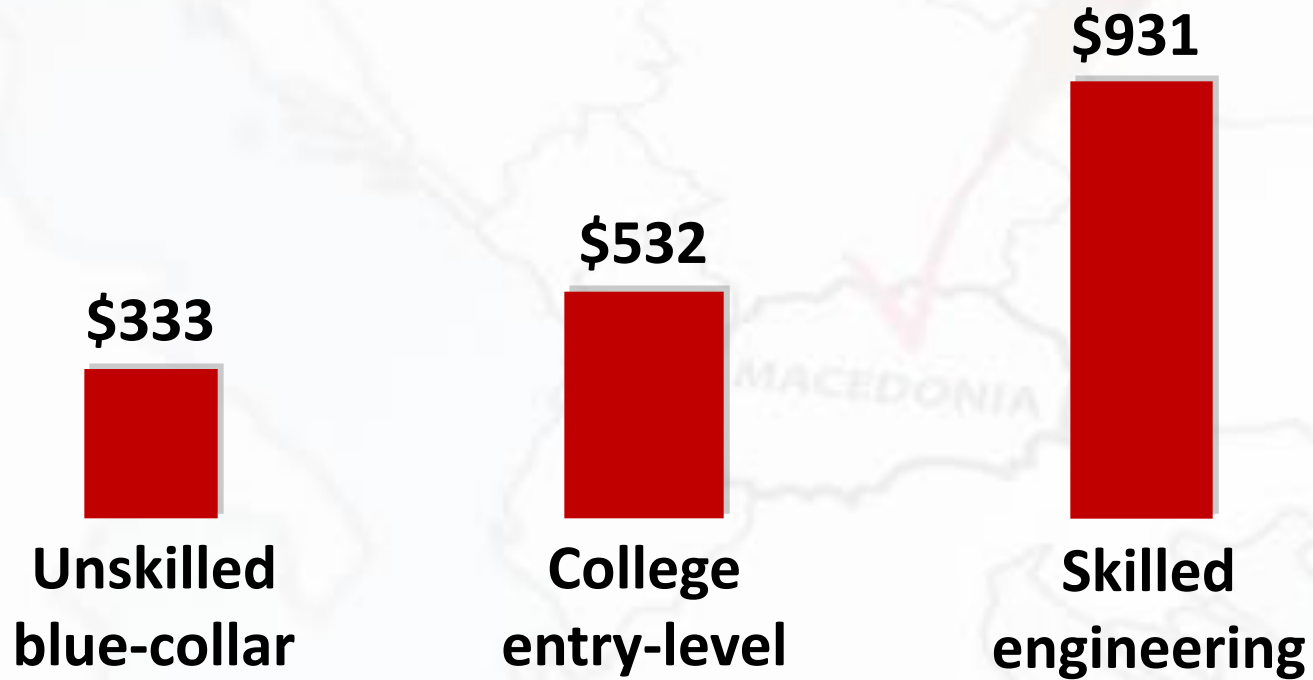
Source: The Vienna Institute for International Economic Studies 2013

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# Excellent Incentives

## Average Monthly Gross Wage



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# Excellent Incentives

## Government guarantees

- **Macedonian Constitution - guarantees rights for foreign investors**
- **100% foreign ownership - company and property**
- **100% repatriation of profit**
- **Leading reformer in South East Europe**
- **Free Trade Agreements with Europe, Turkey and Ukraine which creates market of 650 million consumers**

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# Excellent Incentives

**CNN**

***Going Global - 10 Best Places To Start A Business***

**Macedonia #5 in the world - #1 in Europe!**

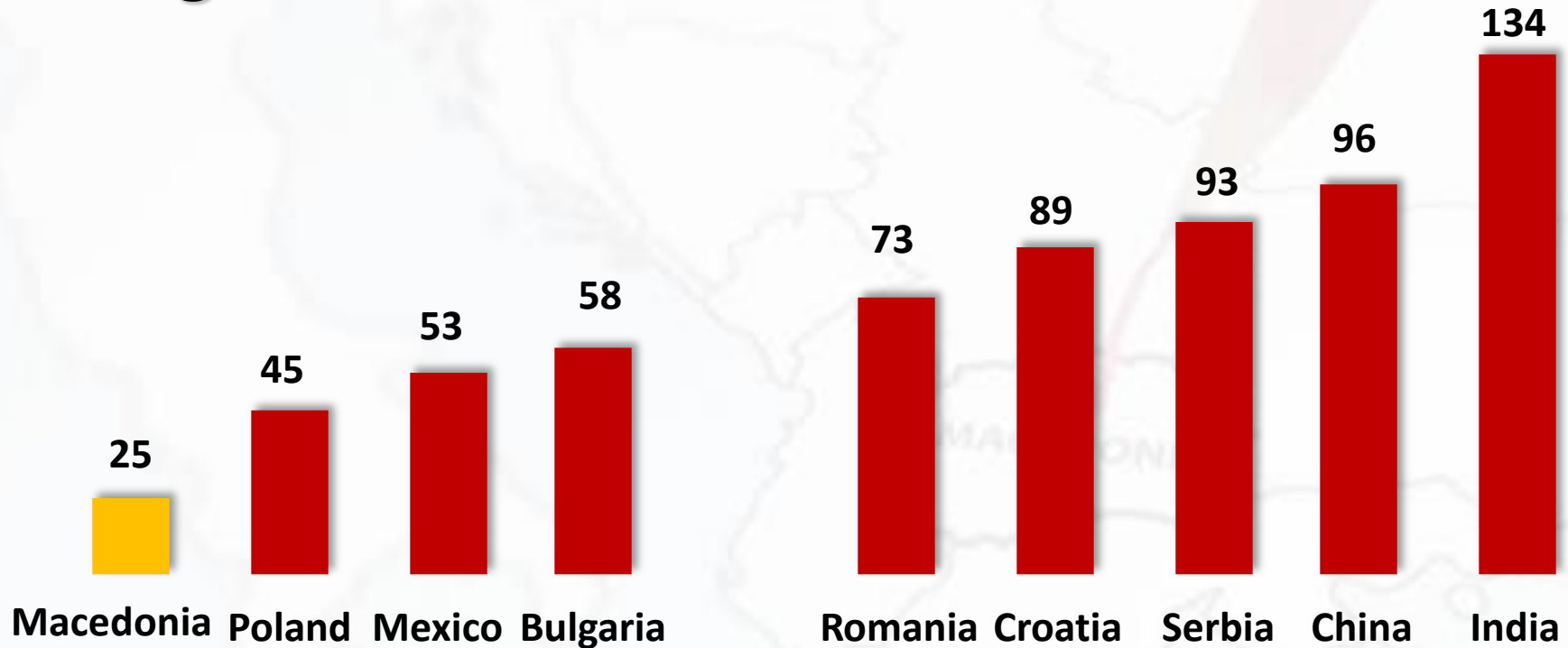
*The World Bank's "Doing Business" Report - October 4, 2013*

Source: CNN's Going Global - 10 Best Places To Start A Business (October 4, 2013)

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# Excellent Incentives

## Doing Business 2014 Rank



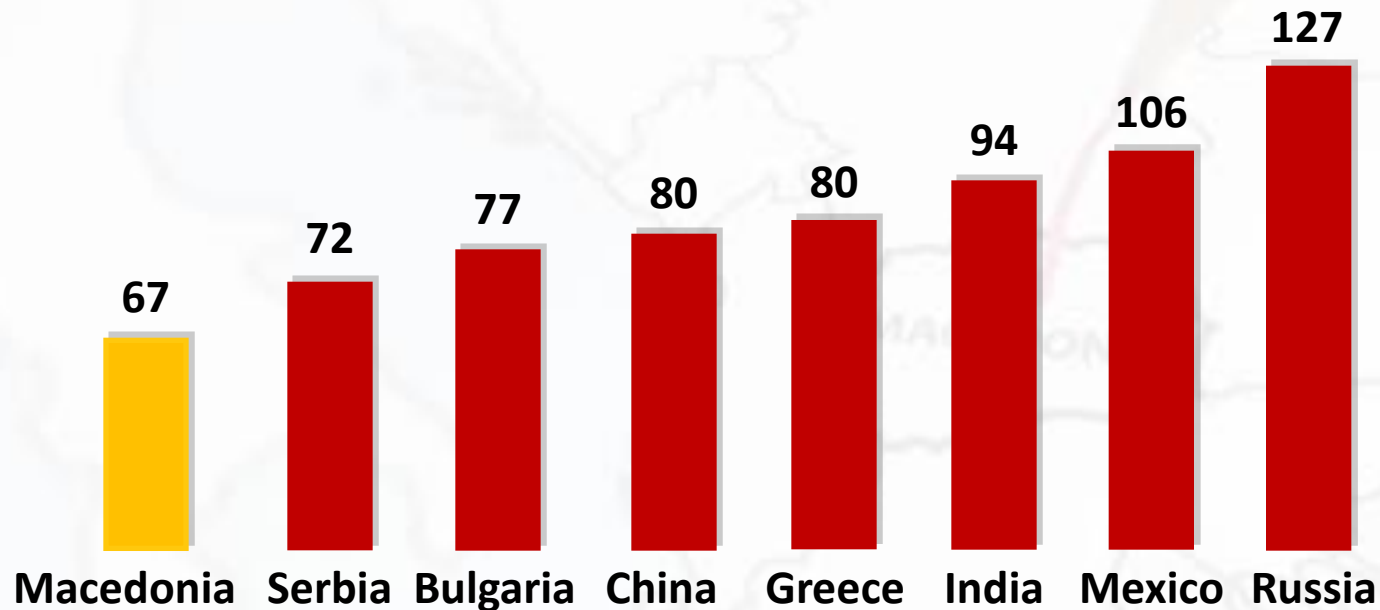
2006 Ranked 94<sup>th</sup> – Improved from 50<sup>th</sup> to 12<sup>th</sup> percentile

Source: International Finance Corporation The World Bank Group; [Ease of Doing Business Ranking](#)

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# Excellent Incentives

## Corruption Perception Index 2013



**IMPROVEMENT of 38 places over the last 7 years**

Source: Corruption Perception Index 2013; Transparency International

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# Excellent Incentives

## Fiscally responsible

- Low inflation < 2% over the last 10 years
- Stable currency pegged to Euro 12 years
- Consistent credit ratings 2013
  - Standard & Poor's Rating: BB
  - Fitch Rating: BB+
- Conservative budget deficit & very low State debt

Source: [Trading Economics; 2013](#)

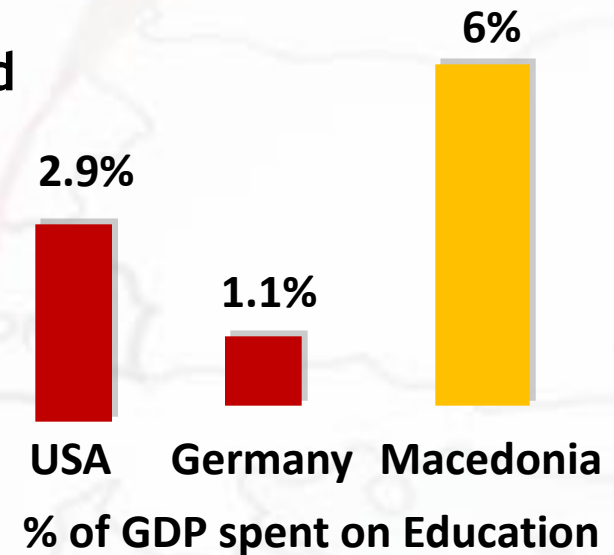
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# Quality Workforce

## Available & Highly Educated

- Youngest country in Europe
  - Majority of high school graduates enrolled in universities
  - 27% in Engineering/Technical studies

*Tailor-made training programs,  
special curriculums and internships*



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# Quality Workforce

## Excellent Language Skills

- Mandatory English from kindergarten through grade 12
- English taught two years at University level - 15 total years
- Another foreign language is mandatory for 8 years



Source: State Statistical Office of the Republic of Macedonia (Education 2011/2012) and Ministry of Education and Science

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# Increase Your Competitiveness

## Great Location

- **Access to almost 700 million customers – Logistical advantage**
- **All of Europe in 1 to 3 days via truck or rail**
- **2 brand new international airports**
- **1 to 3 hours to international seaports**
- **No trade barriers with Europe, Ukraine & Turkey – Quick to market**

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# Investment Opportunities

## Special Target Sectors

- Technology – IT and CAD/CAM engineering outsourcing
- All manufacturing – special expertise in auto parts exporting aviation industry
- Services – Business Process Outsourcing (BPO) and call centers
- Public Projects – Mining, renewable energy and construction

*Small to mid-sized businesses welcome - No project too small*

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## Cosmic Development, Toronto – Case Study

### Background

- IT Consulting and BPO – 2011
- Fast growing, entrepreneurial – expensive cost for top programmers and high overhead expense
- Great clients – Microsoft, Universal Studios and Yahoo



[www.cosmicdevelopment.com](http://www.cosmicdevelopment.com)

# IT Success Story

## Cosmic Development, Toronto – Case Study

### Why outsource?

- Competition – India, Argentina and Macedonia
- Creativity – “Outside-the-Box” thinking
- Small Company – Lost in a giant country?
- High Education – English language skills crucial
- Fast Growth – Quality in a stable pro-business country

*Dream – Google style office without Google style expenses*

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# IT Success Story

## Cosmic Development, Toronto – Case Study

### Results – Macedonia Chosen

- 80+ employees in 2 years – growing fast
- 2<sup>nd</sup> office in Macedonia in different city – 50+ employees
- Direct link with local IT University – unique curriculum & internships as a feeder for new employees

*Low cost & high quality created competitive bids – rapid new business*

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## PROJECT SCOPE

- 2nd project in Macedonia
- \$20M investment
- 1,400 employees
- Construction of cut & trim plant for car seats

## CONSIDERED COUNTRIES

- Macedonia, Serbia, Romania, Bulgaria, Moldova, Ukraine, Tunisia and Morocco

“Macedonia was chosen because of its international competitiveness, because of our positive existing corporate experience here and above all because of the support and professionalism that we have received from all Government institutions during the analysis process.”



17.10.2011 - CORNERSTONE LAYING CEREMONY FOR JOHNSON CONTROLS PLANT IN TIDZ STIP

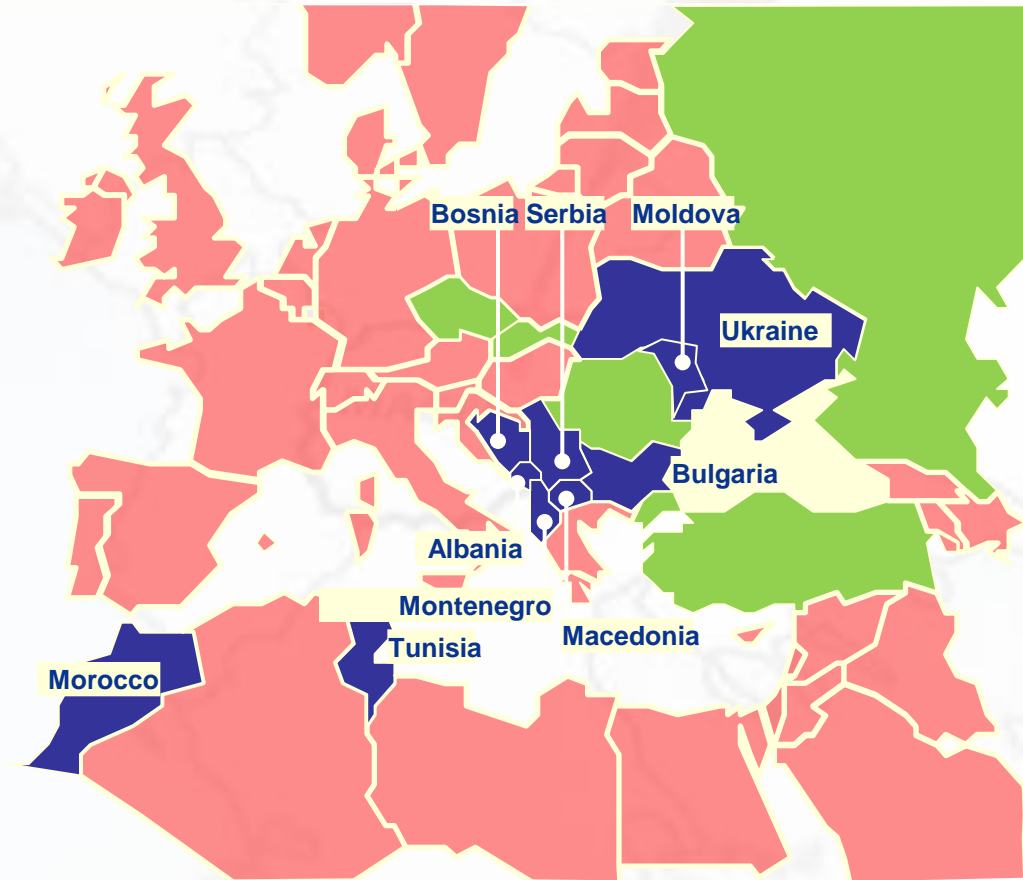
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# Country Selection 10 Countries Considered

- Countries with existing C&S locations
- Excluded due to cost, distance, risk
- Investigated for potential new location

## Selection criteria

- **Significant cost labor advantage** compared to existing sites. Excludes EU members and plants with existing C&S plant
- **Reasonable logistics** and distance to seat assembly plants excludes Middle East
- Sufficient level of **business friendliness and stability**. Excludes Belarus, and – at the moment – most of Northern Africa



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# Country Selection

## Macedonia Offers Best Balance Of Cost And Business Friendliness

Country	Cost		Business friendly**	Comments
	Labor cost Index, CZ=100	Inflation* Percent p.a.	Rating, higher = better	
Moldova	14	12	45	High inflation. Low investment incentives. Lack of skilled workforce
Tunisia	18	5	59	Attractive, but currently unstable – maybe later
Ukraine	21	19	41	High inflation, very negative business climate
Albania	22	3	<i>Not researched</i>	Consistently reported not to be ready for foreign invest
<b>Macedonia</b>	22	3	76	<b>Cost competitive &amp; business friendly, attractive subsidies, good skill base</b>
Morocco	27	3	107	Logistically disadvantaged, currently overcapacities
Bulgaria	32	9	75	Relatively high labor cost with unfavorable investment benefits
Serbia	33	14	79	Subsidies will not compensate for high and rising labor cost
Montenegro	37	9	<i>Not researched</i>	Very small country, largely focusing on tourism
Bosnia	43	4	50	No cost advantage compared to existing JCI plants

\* 2005-2010, forecast for labor cost increase 2010-15 available for Tunisia (6.8%), Macedonia (4.6%), Ukraine (16.8%), Bulgaria (10.1%)

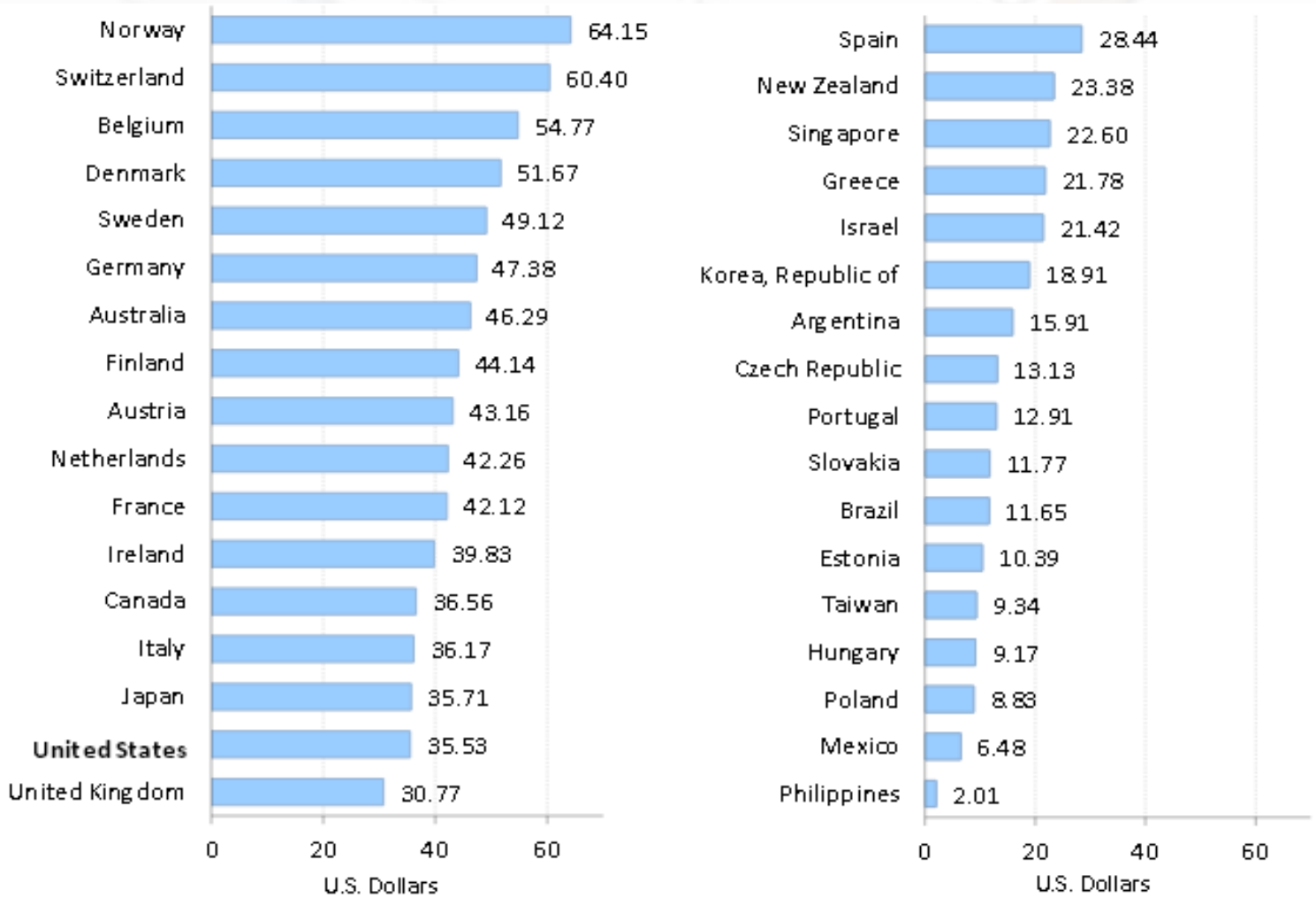
\*\* Reflects infrastructure, business climate, automotive foreign direct investment

Sources: EIU; Mercer; Laborsta; Worldbank; ANIMA, CIA, Ernst & Young; Global Insight ; WEF; Trim Change Office



# Hourly compensation costs in manufacturing

Average gross manufacturing salary per hour in R. Macedonia for 2013 is 3 \$



Source: BLS, US Department of Labor, March 2011, Macedonia State Statistic Office 2013

# TIDZ "Skopje 1"



Johnson Matthey

- €55mn investment
- over 500 employees
- catalyst production



JOHNSON MATTHEY

Johnson Controls



- \$40mn automotive components plant;
- 150 employees initially – increasing to 500;
- Integrated circuits



JOHNSON CONTROLS

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**KEMET**  
CHARGED.™



KEMET  
SIGNING OF THE AGREEMENT

TEKNOHOSE®



TEKNOHOSE  
ANNOUNCING BEGINNING OF  
CONSTRUCTION WORK IN TIDZ "SKOPJE 1"

PROTEK  
group of companies



PRODIS GROUP  
ANNOUNCING BEGINNING OF  
CONSTRUCTION WORK IN TIDZ "SKOPJE 1"

**SMI**  
Samvardhana Motherson Reflectec



SAMVARDHANA MOTHERSON GROUP  
ANNOUNCED BEGINNING OF CONSTRUCTION  
WORK IN TIDZ "SKOPJE 1"

# Macedonian Prime Minister Gruevski on DEİK Investment conference in Istanbul



**DEİK**

DIŞ EKONOMİK İLİŞKİLER KURULU  
FOREIGN ECONOMIC RELATIONS BOARD

**Konseyi Toplantısı**

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# Thank You

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