ANALYSIS OF THE TRADE RELATIONS BETWEEN THE REPUBLIC OF MACEDONIA AND THE CZECH REPUBLIC

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ABSTRACT

Every country has a comparative advantage in the production of certain goods and services. This paper's goal is to identify the sectors in which the Republic of Macedonia has a comparative advantage in terms of its trade relations with the Czech Republic. Both Revealed Comparative Advantage and Revealed Symmetric Comparative Advantage methodologies had been used in the empirical analysis. The Republic of Macedonia's revealed comparative advantage in relation to the Czech Republic was calculated for the time period of 2006-2015 by using the Standard International Trade Classification, Revision 4 (SITC, Revision 4), which classifies goods into 10 groups. The results of the analysis point to the fact that the Republic of Macedonia had a continuous comparative advantage in the export of categories of food, beverages, and tobacco in the course of the analyzed period. Since 2010, the comparative advantage has also been present in the category of machinery and transport equipment due to the altered export structure and the export of motor vehicles' parts and equipment. According to Hinloopen and Marrewijk's classifications, the calculated comparative advantage of Macedonian export in the Czech market ranges from weak to moderate limits. It was noticed a strong comparative advantage merely in the category of beverages and tobacco in 2011.

Keywords: Trade, comparative advantage, export, competitiveness.

INTRODUCTION

Companies of the Republic of Macedonia and the ones of the Czech Republic have collaborated for a long period of time on the basis of their mutual interest and the compatibility of their economies' structures.

The Czech Republic had been one of the most important partners of the Republic of Macedonia in the time period before 1922. That is why Macedonian companies, i.e., the export-import, especially the building companies had their own entrepreneurship in Prague that had been working on promoting the bilateral economic cooperation. Processes of transition have changed both countries' situations. A number of companies which had collaborated or had had long-term arrangements interrupted their collaboration because of terminating the production or re-orientating themselves toward other markets. The Czech Republic's entry into CEFTA had a negative influence on the bilateral economic cooperation due to the fact that the member states of CEFTA were exchanging goods with no customs duty while the Republic of Macedonia was paying a full burden of customs as a third country. For that reason, despite the quality and competitive prices, the Macedonian products were more expensive than the ones of the member states of CEFTA regarding the level of customs burden. After the entry of the Czech Republic as a full member into the EU, the situation had a positive influence due to the use of the Stabilization and Association Agreement of the

Republic of Macedonia with the EU for bilateral trading. Herewith, the access to Macedonian products was greater, and the competitiveness was significantly increased.

The aim of this paper is to identify the sectors in which the Republic of Macedonia has a comparative advantage in terms of its trade relations with the Czech Republic. The paper is divided into three parts. The first part provides an insight into the relevant literature which uses the concept of comparative advantage both in terms of the Republic of Macedonia and the Czech Republic. The second part presents the methodology used for calculating the comparative advantage. The third part makes an analysis of the value, dynamics, and structure of trade exchange between the Republic of Macedonia and the Czech Republic, and it presents the results obtained by making empirical analyses of the comparative advantage of the export from the Republic of Macedonia to the Czech Republic.

LITERATURE REVIEW

There are different measures for determining the comparative advantage, but the most commonly used measure in relation to various studies is the methodology of Revealed Comparative Advantage (RCA). This methodology was formulated by Leisner, whereas Balassa has been developing it for a further analysis and measurement of the production industries' comparative advantage. Hence, the Balassa Index is very often used for calculating the sectoral specialization of national economies. On the other hand, David Ricardo' theory of comparative advantages, according to which each country or region has to produce and export relatively more in those industries where it is relatively more productive, is a useful tool for making a theoretical, but not an empirical analysis. The Heckscher-Ohlin's theory represents a thesis according to which the international and regional differences related to production costs do not arise from the different level of productivity, but from the difference in terms of provision with separate sectors of production in the given territories. Kowalski (2011) has proved that the comparative advantage presents an important determinant of trade. His study points out to the importance of the ratio between the labour and the capital and the geographic distance when explaining the industrial trade directions. According to Kowalski, another notable source of comparative advantage is credit availability and energy provision. Tullio (2016) analyzes the export competitiveness of separate countries of Central and East Europe for the time period of 1995-2011 by using Gross Exports and Value Added in Trade data. In accordance with the calculated indices regarding the case of the Czech Republic, it is evident the comparative advantage in the sectors of agriculture, food, textile, rubber, and plastic in different periods of time, whereas in the sphere of services, the comparative advantage is expressed in the wholesale trade, telecommunications sector, indoor transport, and education. Svatoš&Smutka (2012) analyze the comparative advantage of trade in agricultural products of the Czech Republic for the time period of 2000-2010. Although the trade in agricultural products (agrarian trade) of the Czech Republic does not have a comparative advantage on the whole in terms of the market of the states of EU27 and the market of third countries, it is registered a comparative advantage in the markets of separate member states of EU in terms of the following categories of products: milk and milk products, livestock, cereals,drinks, tobacco products and to a limited extentalso feedstuff, etc.Lapiñska analyzes the comparative advantage of the Czech Republic in terms of its trade in food and agricultural products right after its entry in the EU. The process of research encloses the categories 0,1 and 4 of the Standard International Trade Classification for the time period of 2003-2010. The research results point to the fact that the Czech Republic's agriculture and food manufacturing industries did not use the opportunity for total liberalization of agriculture and food trade in the EU. After

becoming a member of the EU, the Czech Republic lost its previous comparative advantage in relation to a lot of manufactured food products. Nevertheless, the products in terms of which the Czech Republic still has comparative advantages are, above all, resources and low-level processing products.

According to OECD (2009), in 2006, the apparel manufacturing sector was the largest export category in the Republic of Macedonia. The revealed comparative advantage of the Macedonian apparel manufacturing industry in 2007 was 7.3, indicating that the country has a definite advantage in apparel export to the EU, compared with the other Western Balkan economies. The 2007 RCA calculation for the Republic of Macedonia was the highest in the Western Balkans. The only SITC two-digit level sector in the country with a higher RCA calculation in 2007 was iron and steel. The country appears to have maintained a steady RCA level over the past seven years.

Kostoska measures the comparative, i.e., competitive advantage of the Republic of Macedonia on the basis of four indices: the comprehensive measure of revealed comparative advantages presented by Balassa (B); the indicator of relative comparative advantage (RTA); the measure presenting a logarithm of relative export advantage (InRXA); as well as the one of revealed competitiveness (RC). The four indices, in accordance with their similar movements and mutual characteristics, show revealed comparative, i.e., competitive advantages in 12 groups of products, herewith, the highest indicators are evidenced in terms of the primary products and a small number of industrial products regarding a great part of the export as a process of completion when it comes to abroad. According to IMF Country Report No. 15/243 overall, the Republic of Macedonia's main comparative advantages remain in the production of intermediate and consumer goods. More recently, RCA has diversified away from traditional product lines to more capital intensive goods. While remaining highly competitive in the production of textiles, beverages, tobacco, and food products, the country managed to dramatically push its advantage in chemical products. Lazarov&Kocovski (2017) analyze the performance of metal industry and its productivity as one of the most exporting industries and investigate its capacity for further product diversification. The analysis of metal industry performance in the Republic of Macedonia shows that this industry faced a lot of problems in the last several years, but it still has comparative advantages (RCA=2.16) and is characterized as a medium diversified industry (55 products are exported with comparative advantages in 2014).

METHODOLOGY

Countries' export potential is predominantly analyzed by using RCA measures. There is a probability that the countries with similar RCA profiles do not have an intensive trade exchange on a bilateral level. The results calculated by using the RCA model give useful information for new partnerships and potential trading opportunities. The index of revealed comparative advantage (B index) was first formulated by Balassa (1965):

$$RCA = \left(\frac{X_{ij}}{X_{nj}}\right) / \left(\frac{X_{it}}{X_{nt}}\right)$$

(1)

where is export, - country index, - commodity index, - set of countries, and - set of commodities.

According to this index, the comparative advantage can be calculated first by comparing a certain product's share in terms of one country's export to the same product's share in the total export of anothercountry or a group of countries, and then by comparing the analyzed country's share in terms of its total export to the export of a certain country or a group of countries.If RCA > 1, then the country has a comparative advantage in comparison with another country and/or vice versa.

Hinloopenand Marrewijk (2001), classify the power of comparative advantage in four steps:
Class a: → 0 < RCA ≤ 1 - No comparative advantage; Class b: → 1 < RCA ≤ 2 - A weak comparative advantage;
Class c: → 2 < RCA ≤ 4 - A moderate comparative advantage; Class d: → 4 < RCA - A strong comparative advantage.

The Balassa Index has been criticized because it does not take into account the different effects of agricultural policies and asymmetrical values. Namely, the trade's structure may be under the influence of different state interventions and trade restrictions. However, the asymmetrical value of the index points to the fact that it varies from one to infinity if the country has a comparative advantage of a certain product, and that it varies between zero and one if the country does not have a comparative advantage, herewith it is estimated the relative validity of a certain sector.

Because of these critiques, it is taken into consideration the Revealed Symmetric Comparative Advantage (RSCA) index, formulated by Dalumet al. (1998). The RSCA index is calculated in the following way:

$$RSCA = RCS - 1/RCS + 1 \tag{2}$$

The RSCA values vary between -1 and 1, herewith the values between 0 and 1 denote the presence of comparative advantage, whereas the values between -1 and 0 denote the non-existence of comparative advantage.

This paper's objective is to identify the sectors in which the Republic of Macedonia has a comparative advantage in terms of its export in the Czech Republic. The Republic of Macedonia's revealed comparative advantage in relation to the Czech Republic was calculated for the time period of 2006-2015 by using the Standard International Trade Classification, Revision 4 (SITC, Revision 4), which classifies goods into 10 groups:

0 – Food products
1 – Beverages and tobacco
2 – Crude materials, except fuel
3 – Mineral fuels, lubricants, and related materials
4 – Animal and vegetable oils and fats
5 – Chemicals and related products
6 – Manufactured goods classified mainly by material
7 – Machinery and transport equipment
8 – Miscellaneous manufactured articles
9 –Special transaction and commodities not classified according to kind

The data used in the course of the research are official data of the State Statistical Office of the Republic of Macedonia.

RESULTS

The trade exchange between the Republic of Macedonia and the Czech Republic in the time period of 2006-2015 is presented in table 1:

Table 1 Trade exchange between the Republic of Macedonia and the Czech Republic in the time period of 2006-2015 (in thousands of dollars)						
		2006	**2007**	**2008**	**2009**	**2010**
	Export	10655	11327	14430	9322	15337
	Import	32926	64611	65530	51894	51343
	Total trade	43581	75938	79960	61216	66680
	Trade Surplus/Deficit	-22271	-53284	-51100	-42572	-36006
	Export/Import ratio	32.360	17.531	22.020	17.963	29.871
		2011	**2012**	**2013**	**2014**	**2015**
	Export	22762	34890	28717	32613	29298
	Import	78073	71535	90839	92425	78 073
	Total trade	100835	106425	119556	125038	107371
	Trade Surplus/Deficit	-55311	-36645	-62122	-59812	-48775
	Export/Import ratio	29.154	48.773	31.613	35.285	37.526
Source: State Statistical Office of the Republic of Macedonia						

In accordance with the presented and calculated indicators in table 1, considering the Republic of Macedonia's case, it is evident the low import coverage with export, reflecting a continuous trade deficit in Macedonia in the analyzed period of time. The total trade between the Republic of Macedonia and the Czech Republic records a constant growth showing that the largest trade volume was achieved in 2014 in the amount of 125 million American dollars.

The values of the products exported from the Republic of Macedonia to the Czech Republic in the time period of 2006-2015 are presented in table 2.

Table 2 Structure of the export of products from the Republic of Macedonia to the Czech Republic (2006-2015) in thousands of dollars

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and live animals	1649	1311	2139	1017	4159	4296	3368	4638	3507	3586
Beverages and tobacco	1341	825	941	694	1588	5340	7143	3258	1233	900
Crude materials, inedible, except fuels	/	14	329	97	76	141	74	236	14	50
Mineral fuels, lubricants and related materials	707	193	250	547	1888	1445	237	83	109	68
Animal and vegetable oils, fats and waxes	/	/	0	/	0	1	0	0	0	0
Chemicals and related products, n.e.s	/	62	71	28	12	66	145	227	104	193
Manufactured goods classified chiefly by material	4965	5156	6595	2604	4288	5419	7330	4496	7109	8395
Machinery and transport equipment	377	443	290	503	2617	3773	4886	9370	12153	9238
Miscellaneous manufactured articles	1611	3319	3813	3832	700	2271	11705	6408	8380	6674
Commodities and transactions not classified elsewhere in the SITC	5	4	1	0	8	12	3	2	3	195
Total	**10655**	**11327**	**14430**	**9322**	**15337**	**22762**	**34890**	**28717**	**32613**	**29298**

Source: State Statistical Office of the Republic of Macedonia

The export structure of products changes in the course of the analyzed period of time. Namely, the Ferro-silicon used for steel production and belonging to the category of products classified by their material, wine of fresh grapes belonging to the category of beverages, and fresh melons, watermelons and papayas belonging to the category of food were dominant in the structure of export between the Republic of Macedonia and the Czech Republic in the period of 2006-2012. Since 2013, the export structure has changed, having a dominant share of paper or plastics dielectric fixed capacitors, as well as parts and accessories of motor vehicles belonging to the category of machinery and transport equipment. The diversified structure of Macedonian export with multidisciplinary effects of upgrading multiply the basic phase of production is evident due to the presence of foreign companies of the domain of automotive industry operating in the free economic zones (in the concrete case, Kemet Electronics).

The product categories' percentile coverage, according to SITC, in relation to the export from the Republic of Macedonia to the Czech Republic is presented in table 3.

Table 3 Structure of export of products from the Republic of Macedonia to the Czech Republic (2006-2015) in percentage

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and live animals	15.48	11.57	14.82	10.91	27.12	18.87	9.65	16.15	10.75	12.24
Beverages and tobacco	12.59	7.28	6.52	7.44	10.35	23.46	20.47	11.35	3.78	3.07
Crude materials, inedible, except fuels	0.00	0.12	2.28	1.04	0.50	0.62	0.21	0.82	0.04	0.17
Mineral fuels, lubricants and related materials	6.64	1.70	1.73	5.87	12.31	6.35	0.68	0.29	0.33	0.23
Animal and vegetable oils, fats and waxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chemicals and related products, n.e.s	0.00	0.55	0.49	0.30	0.08	0.29	0.42	0.79	0.32	0.66
Manufactured goods classified chiefly by material	46.60	45.52	45.70	27.93	27.96	23.81	21.01	15.66	21.80	28.65
Machinery and transport equipment	3.54	3.91	2.01	5.40	17.06	16.58	14.00	32.63	37.26	31.53
Miscellaneous manufactured articles	15.12	29.30	26.42	41.11	4.56	9.98	33.55	22.31	25.70	22.78
Commodities and transactions not classified elsewhere in the SITC	0.05	0.04	0.01	0.00	0.05	0.05	0.01	0.01	0.01	0.66
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: State Statistical Office of the Republic of Macedonia

The results presented in percent in table 3 confirm the previously made statement. Namely, in the analyzed period, the percentile share of the category of beverages and tobacco in the structure of the total trade between the Republic of Macedonia and the Czech Republic reduced from 12.59% in 2006 to 3.07% in 2015. On the other hand, the percentile share of the category of machinery and transport equipment increased from 3.54% in 2006 to 31.53% in 2015. Nearly one third of the structure of the total export between the Republic of Macedonia and the Czech Republic belongs to this category of products, 28.65% belong to the manufactured goods classified chiefly by the material, and 22.78% belong to the miscellaneous manufactured articles due to the export of welded tubes and pipes with a non-circular cross-section.

The import of products from the Czech Republic into the Republic of Macedonia is shown in nominal values in table 4.

Table 4 Structure of import of products from the Czech Republic to the Republic of Macedonia (2006-2015) in thousands of dollars										
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Food and live animals	4037	2263	2574	2286	2203	4132	3888	5935	4954	4132
Beverages and tobacco	224	120	71	71	64	571	223	577	572	571
Crude materials, inedible, except fuels	202	194	740	586	758	313	211	298	212	313
Mineral fuels, lubricants and related materials	657	20573	5618	308	1467	1592	12486	1657	960	1592
Animal and vegetable oils, fats and waxes	0	1254	2100	0	1	0	1	1	0	0
Chemicals and related products, n.e.s	8619	10364	12469	11902	12849	9114	10883	10863	10767	9114
Manufactured goods classified chiefly by material	6600	11077	10209	9208	7910	23766	17533	40721	36153	23766
Machinery and transport equipment	11236	16741	29114	25178	23201	35133	22820	23093	33376	35133
Miscellaneous manufactured articles	1336	1946	2622	2232	1575	3154	2940	6794	4803	3154
Commodities and transactions not classified elsewhere in the SITC	15	79	12	121	316	298	550	900	627	298
Total	**32926**	**64611**	**65530**	**51894**	**51343**	**78073**	**71535**	**90839**	**92425**	**78073**
Source: State Statistical Office of the Republic of Macedonia										

Dominant products comprising the structure of import from the Czech Republic are motor vehicles for the transport of persons, surface-active, washing or cleaning preparations, electric energy, as well as refined particle board and similar boards of wood. Since 2013, the import structure of the Republic of Macedonia has also enclosed flat-rolled products of iron or non-alloy steel and seat parts.

The product categories' percentile coverage, according to SITC, in relation to the import from the Czech Republic into the Republic of Macedonia is presented in table 5.

Table 5 Structure of import of products from the Czech Republic into the Republic of Macedonia (2006-2015) in percentage

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and live animals	12.26	3.50	3.93	4.41	4.29	5.29	5.44	6.53	5.36	5.29
Beverages and tobacco	0.68	0.19	0.11	0.14	0.12	0.73	0.31	0.64	0.62	0.73
Crude materials, inedible, except fuels	0.61	0.30	1.13	1.13	1.48	0.40	0.29	0.33	0.23	0.40
Mineral fuels, lubricants and related materials	2.00	31.84	8.57	0.59	2.86	2.04	17.45	1.82	1.04	2.04
Animal and vegetable oils, fats and waxes	0.00	1.94	3.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chemicals and related products, n.e.s	26.18	16.04	19.03	22.94	25.03	11.67	15.21	11.96	11.65	11.67
Manufactured goods classified chiefly by material	20.04	17.14	15.58	17.74	15.41	30.44	24.51	44.83	39.12	30.44
Machinery and transport equipment	34.13	25.91	44.43	48.52	45.19	45.00	31.90	25.42	36.11	45.00
Miscellaneous manufactured articles	4.06	3.01	4.00	4.30	3.07	4.04	4.11	7.48	5.20	4.04
Commodities and transactions not classified elsewhere in the SITC	0.05	0.12	0.02	0.23	0.62	0.38	0.77	0.99	0.68	0.38
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: State Statistical Office of the Republic of Macedonia

In the analyzed period, the highest percentile share in the structure of import from the Czech Republic into the Republic of Macedonia belongs to the category of machinery and transport equipment. This category covered up 45% of the structure of total import in terms of the relation between the Republic of Macedonia and the Czech Republic in 2015 due to the import of motor vehicles for transport of persons. Regarding the import, a high percentile share is evidenced in terms of the category of manufactured goods classified chiefly by the material. Its percentile share was the highest in 2013, i.e., 44.83% due to the increased import of flat-rolled products of iron or non-alloy steel, and the increased import of textile fabrics in 2015. It is significant the percentile share of the category of chemicals and related products, n.e.s., which was 26.18% in 2006 as a result of the import of surface-active, washing and cleaning preparations, but it reduced to 11.67% in 2015 showing some changes in the import structure.

The comparative advantage in the trade exchange between the Republic of Macedonia and the Czech Republic is shown in table 6.

Table 6 Comparative advantage in trade exchange between the Republic of Macedonia and the Czech Republic (RCA)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and live animals	1.94	1.57	1.92	1.04	2.76	2.26	1.14	1.90	1.37	1.63
Beverages and tobacco	1.57	1.18	1.19	1.02	1.71	4.47	3.46	1.81	0.84	0.87
Crude materials, inedible, except fuels	0.00	0.02	0.33	0.16	0.06	0.10	0.03	0.13	0.01	0.04
Mineral fuels, lubricants and related materials	0.71	0.35	0.22	0.78	1.60	0.73	0.11	0.12	0.19	0.17
Animal and vegetable oils, fats and waxes	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Chemicals and related products, n.e.s	0.00	0.14	0.11	0.05	0.01	0.02	0.02	0.04	0.02	0.03
Manufactured goods classified chiefly by material	1.32	1.02	1.14	0.98	0.95	0.86	0.81	0.65	1.12	1.62
Machinery and transport equipment	0.72	0.88	0.43	0.95	2.88	2.10	1.41	2.45	1.77	1.28
Miscellaneous manufactured articles	0.60	1.24	1.18	1.49	0.21	0.53	1.73	1.16	1.39	1.31
Commodities and transactions not classified elsewhere in the SITC	0.38	0.68	0.20	0.00	0.74	0.84	0.37	0.09	0.11	23.84

Source: Autors

In the analyzed period, the comparative advantage of the Macedonian export was constantly present at the Czech market in the categories of food products and beverages and tobacco. The results of the analysis confirm the real situation. Namely, the Republic of Macedonia produces both quality food and wine. Hence, the Czech Republic has been held up as one of the main destinations for exporting Macedonian quality wine. Since 2010, the comparative advantage has been present in the category of machinery and transport equipment due to the changed export structure and due to the export of motor vehicles' parts and equipment. According to Hinloopen and Marrewijk's classifications, the calculated comparative advantage of the Macedonian export in the Czech market varies within weak or moderate limits. It was evidenced a strong comparative advantage only in the category of beverages and tobacco in 2011.

Table 7 Comparative advantage in trade exchange between the Republic of Macedonia and the Czech Republic (RSCA)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and live animals	0.32	0.22	0.31	0.02	0.47	0.39	0.07	0.31	0.16	0.24
Beverages and tobacco	0.22	0.08	0.09	0.01	0.26	0.63	0.55	0.29	-0.09	-0.07
Crude materials, inedible, except fuels	-1.00	-0.95	-0.50	-0.72	-0.88	-0.82	-0.94	-0.77	-0.98	-0.93
Mineral fuels, lubricants and related materials	-0.17	-0.48	-0.64	-0.12	0.23	-0.16	-0.81	-0.79	-0.68	-0.71
Animal and vegetable oils, fats and waxes	-1.00	-1.00	-1.00	-1.00	-1.00	-0.98	-1.00	-1.00	-1.00	-1.00
Chemicals and related products, n.e.s	-1.00	-0.75	-0.80	-0.91	-0.99	-0.97	-0.95	-0.92	-0.97	-0.94
Manufactured goods classified chiefly by material	0.14	0.01	0.06	-0.01	-0.03	-0.07	-0.10	-0.21	0.06	0.24
Machinery and transport equipment	-0.16	-0.07	-0.40	-0.02	0.48	0.35	0.17	0.42	0.28	0.12
Miscellaneous manufactured articles	-0.25	0.11	0.08	0.20	-0.65	-0.30	0.27	0.08	0.16	0.13
Commodities and transactions not classified elsewhere in the SITC	-0.45	-0.19	-0.67	-1.00	-0.15	-0.08	-0.46	-0.83	-0.80	0.92

Source: Autors

CONCLUSIONS

▪ The analysis of the value, dynamics, and structure of trade between the Republic of Macedonia and the Czech Republic points to the fact that there was a continuous trade deficit in Macedonia in the time period of 2006-2015. Nevertheless, the volume of trade between these two countries records a growth tendency. More important product categories which are dominant in the structure of the Republic of Macedonia's export in the Czech market are Ferro-silicon, wine of fresh grapes, as well as fresh melons, watermelons, and papayas. However, since 2013, it has changed the export structure, having a dominant share of paper or plastics dielectric fixed capacitors, as well as parts and accessories of motor vehicles due to the presence of foreign companies of the domain of automotive industry working in the free economic zones. Regarding the import, dominant products making up the structure of import from the Czech Republic are motor vehicles for the transport of persons, surface-active, washing or cleaning preparations, electric energy, as well as refined particle board and similar boards of wood. Since 2013, the import structure of the Republic of Macedonia has also encompassed flat-rolled products of iron or non-alloy steel and seat parts.

▪ By applying the RCA and RSCA methodology, it can be stated in terms of the Republic of Macedonia that in the analyzed period the comparative advantage of Macedonia's export into the Czech market was continuously present in the category of food products and beverages and tobacco. The analysis results confirm the real situation. Since 2010, the comparative advantage has been present in the categories of machinery and transport equipment due to the altered export structure and also as a result of the export of motor vehicles' parts and equipment. According to Hinloopen and Marrewijk's classifications, the calculated comparative advantage of Macedonian export in the Czech market ranges from weak to moderate limits. It was noticed a strong comparative advantage merely in the category of beverages and tobacco in 2011.

▪ Reduction of differences in terms of trade exchange and instigation of companies to cooperate mutually are significant aspects which will improve the economic relations between these two countries. Agriculture, energetics, especially renewable resources, the development of small hydroelectric power plants, wind power plants, solar energy, geothermal technologies, mining and transfer of technologies and knowledge are considered to be potential and very important fields of cooperation. Empirical analyses point to the fact that there is a potential for cooperation in the field of metal and electrical industry, in the automotive industry for connecting Macedonian producers with Czech companies, and also in the chemical industry.

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