

Report from the study visit to Brussels, Belgium

Foreign Direct Investment Screening Mechanism (FDISM) Discussions

The three external experts on Foreign Direct Investments Screening Mechanism (FDISM), Dragan Tilev, Viktor Mizo and Zoran Jovanovski, accompanied by the representatives of the Institute for Democracy (IDSCS), Anamarija Velinovska and Zoran Nechev including Jeffrey Lightfoot, the Program Director for Europe at the Center for International Private Enterprise (CIPE) composed the team that attended the study visit in Brussels, Belgium.

The visit took place in the period from 20-22 September 2023. During the visit, the team focused on discussing ideas, exchanging views and proposals for establishing the Mechanism in North Macedonia, exploring potential venues for cooperation with EU institutions such as Directorate-General for Trade (DG TRADE) and Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) for exchange of data and information, and conferring with NATO on broader issues related to economic coercion and economic security.

The meeting at DG NEAR started with a comprehensive outline of the efforts the government of North Macedonia undertook in order to implement the Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union. Besides the informative part of the meeting, the modalities for exchange of information and data with DG TRADE were discussed from the viewpoint of a candidate country for EU accession. The potential and the dynamics for cooperation under the Regulation (EU) 2019/452 using the “phasing-in” approach - partially and/or gradually involving candidate countries prior to accession - was debated in details. How the civil society can help the process of establishing and consequently implementing the FDI Screening Mechanism was another issue on the agenda. The need to involve other stakeholders such as chambers of commerce, business, audit and law firms is essential for a successful policy process. Finally, the team committed to regularly inform DG NEAR on updates concerning the establishment of the Mechanism in North Macedonia.

DG Trade provided comprehensive and valuable insights on the way the mechanism works on EU level. The representatives from the institutions informs us about their preparedness to revise the EU’s FDI screening regulation in light of the accumulated two years of experience with a view to strengthen its functioning and effectiveness, in accordance with the European Commission 2023 Working Program. Further information was provided on the list of issues that the Commission believes could be revised such as, among others, definition of investments covered, sectorial coverage including identifying critical industries that must remain operational in times of crisis, coverage of transactions, reporting on the screening outcome, procedural issues, and the feedback provided by number of stakeholders. The team was also interested if there are indications that the establishment of this Mechanism lead to a decrease or increase of FDIs in the implementing countries and what are the existing modalities for cooperation with candidate countries. They have revealed that our team is the first one that came with a proposal and

idea for cooperation and that such a cooperation has not been established yet with any of the candidate or potential candidate countries. Information were are shared on the utilization of commercial databases for determining the ultimate beneficial ownership in companies wanting to invest in the country.

The meeting at the NATO HQ provided the team with very valuable information, hints and suggestions for consideration when drafting the Law on FDISM in North Macedonia. The interlocutors proposed to put a greater emphasis on the essential services required in times of crisis and to look more deeply in the intersection between critical infrastructure and the FDI Screening Mechanism. Having in mind the capacities and capabilities the country has as part of the NATO alliance, it was pointed out that it is worthwhile exploring are the links between the comprehensive assessment of the national capacities (as part of the Defense Planning Capability Plan) and the human and technical capacities needed to establish this Mechanism. The importance and relevance of the dual-use products was stressed especially following the Russian invasion of Ukraine and recommended a thorough vulnerability report.

In conclusion, the meetings generated insightful discussions about the considerations, risks and challenges associated with the establishment and further on, implementation of the FDI Screening Mechanism. The recommendations emphasized the need to prioritize critical aspects, such as safeguarding public order and security, identifying vital industries, and determining types of investments. Additionally, the team were advised to factor in essential services, national (human and technical) capacities, and EU programs in their planning. The approach of comprehensive consultations with other non-state stakeholders was praised by all interlocutors.

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