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## **The Path of the Republic of North Macedonia Towards a Functional Market Economy and the Ability to Cope With Competitive Pressure and Market Forces Within the European Union**

### **Abstract**

The path of the Republic of North Macedonia towards European Union (EU) membership has been long and difficult, with blockades from neighbouring countries and internal political instability that has hindered both the reform processes and the economic progress of the country. However, despite the difficulties and obstacles, the country remains determined and committed to continue its EU membership path through by implementing EU standards. North Macedonia started negotiations for membership in the EU in 2022, and, on that occasion, the European Commission began the screening process. However, the negotiation process on the horizon is not looking easy at all, since the Government is not only faced with the fulfilment of the demands as reached in an address by the Commission, but Bulgaria continues to insist on concrete results from the fulfilment of the obligations received from North Macedonia in a friendship agreement reached with Bulgaria in 2017. The purpose of this study is to shed light on North Macedonia's ups and downs in this situation, which result from both external factors (disagreements with neighbours such as Greece and Bulgaria) and internal factors (the approach of certain Macedonian governments at certain stages to face demands in order to overcome disputes with neighbours in the name of Euro-integrations). The author intends to achieve such a goal through the selected methodology that is suitable for achieving the expected results and findings; empirical methods, analysis and synthesis, data collection and processing, the interpretation

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of results, and historical, comparative, inductive, and deductive methods. The most recent report from the Commission for North Macedonia (2023) finds essential treatment in this paper, with Cluster 2 and Cluster 3 being of interest for this study. The author concludes that the content of this report turns out to be not only an overview of the current situation in which North Macedonia finds itself, but also provides recommendations for improving the situation in the spheres and segments where either stagnation or a lack of progress has been detected.

**Keywords:** Republic of North Macedonia, European Union, Integration, Screening Process, Commission's Report, Assessment, Recommendations

## Introduction

The EU today differs considerably from the integration project it was that began in the 1950s. It was founded in 1957 under the original name of the European Economic Community (EEC), and the creation of a single market among Member States has been and remains its central objective. Such an objective finds legal support in Article 26(2) of the Treaty on Functioning of the European Union (TFEU). Despite ongoing debates about hot issues such as the Treaty of Lisbon along with the Eurozone and the monetary union and the membership of Türkiye and the countries of the Western Balkans, the EU remains a hugely influential vehicle for organising Europe and constitutes a unique experiment of “deep” international cooperation (Staab, 2013).

It can be concluded that the central doctrinal feature of internal market law in its current state is that the obligations the Treaty defines as regards the internal market – to create an area without borders for goods, persons, services, and capital – are interpreted as individual rights, i.e., as the right to move goods and capital freely across borders, to provide and receive services freely, and to access employment or self-employment in another Member State. These rights can be invoked by persons against conflicting national law in national legal proceedings (Weiss, Kaupa, 2014). In addition, the EU became a relevant player far beyond international trade (Medrano, 1999), but according to former President of the European Commission Jacques Santer, there is still a lot of work ahead: “Today, the EU is neither a political dwarf, nor yet a full world actor. The EU does matter. But it can and it must do more” (Santer, 1998).

As the global political landscape is being reshaped by strategic competition, growing global instability, and attempts to undermine the rules-based international order, the European Council recognises that

the EU needs a clear, strategic plan and a solid framework for actions. At its meeting in Brussels on 27<sup>th</sup> June 2024, the European Council agreed on a strategic agenda for 2024–2029, which sets the EU's priorities and its strategic orientations. As such, it will guide the work of the EU institutions: "Our destiny is in our own hands. We have the talent, courage, and vision to successfully shape our future. This strategic agenda is our joint pledge to unequivocally serve our citizens and fulfil our founding objective of peace and prosperity" (European Council, 2024). According to this Strategy, the EU is determined to strengthen its long-term competitiveness and to improve citizens' economic and social well-being. This includes increasing their purchasing power, creating good jobs, and assuring the quality of goods and services.

Bearing the Western Balkan countries in mind, the European Commission announced a new project in 1999. The Stabilisation and Association Process (SAP) was aimed at Macedonia, Albania, Bosnia and Herzegovina, Serbia, Montenegro, and Croatia. The initiative's primary objective was to stabilise the political and economic situation in the Western Balkans, but the European Commission also wanted to encourage the addressee countries to develop relations with each other, which would allow them to establish a strong regional structure (Karadzowski, Adamczyk, 2014). Thus, when it comes to the enlargement process, EU leaders have unveiled a growth plan for the six Western Balkans countries, offering them access to parts of the EU single market in exchange for substantial reforms as a stepping stone to full EU membership. The landmark announcement came during the annual Berlin Process summit held in Tirana, Albania on the 16<sup>th</sup> October 2023.

Those countries are at different stages of integration into the bloc; Serbia and Montenegro launched membership negotiations a few years ago, followed by Albania and North Macedonia last year, and Bosnia is a candidate country but yet to open negotiations, while Kosovo is a potential candidate (euronews.com, 2023).

The aim of this paper is to analyse the path of the Republic of North Macedonia towards integration into the European Union. The emphasis is placed mainly on the internal market and competitiveness and inclusive growth, i.e., Cluster 2 and Cluster 3 of the screening process as reported by the Commission. The assessment received by the chapters of these clusters contained in the Commission's last report for North Macedonia (2023) range mainly from no progress, limited progress or some progress, and only for the "free movement of capital" has the country received an assessment of having made "good" progress, which clearly means that in this case, not a single chapter has received a "very good" progress rating.

The structure of the paper after this introductory section is followed by highlights of North Macedonia's journey towards integration into the European Union in the sense of the situation of the country in terms of the internal market and competitiveness and inclusive growth, and ends with its conclusions.

The objectives set in this paper are intended to be achieved through the use of selected research methods among which the most prominent have turned out to be: the empirical method in the collection and aggregation of already-existing data, theories, attitudes, facts, and arguments, with analyses in examining and breaking down that data and synthesis in combining and integrating analysed data; the historical method in the historical perspective of dealing with issues through concrete stages characterised by events, decision-making, and results; and the comparative method in comparing similar and different situations between other countries that are at the same or different stage in the journey to EU membership. Their implementation is intertwined depending on the need and place of implementation within the article. The main findings of the research shed light on the need for North Macedonia to become a full member of the EU, not only to perform the tasks set by the EU, but also to overcome disputes with its neighbours, specifically with Bulgaria.

### **North Macedonia's Journey to the EU in Light of Enlargement Policy**

European integration is most frequently associated with the period after the end of the Second World War, as Western European states increasingly cooperated during various developmental stages of the EU. From the very beginning, the EU was based on, and called for, forms of multinational cooperation, bilateral (internal and external) at different levels, involving economic actors, public actors, local authorities, and civil society. They establish the functioning of European institutions and the framework of democratic life in Europe (Pellat, Zafiroski, Šuplata, 2024). Most of the original goals for which it was created have been reached; ensuring peace in Europe, fostering freedom and democracy on much of the continent, and securing economic prosperity for its inhabitants. Additional countries are still knocking at the door to demand membership, and the EU's model of integration is now being explored by countries around the world (Meunier, McNamara, 2007).

The process of enlargement is the most successful European policy. Nevertheless, in the last fifteen years, EU institutions have been dealing with different crises and have focused on reforms within the EU, albeit while the

process of enlargement was not high on the EU's agenda. Once an applicant country meets the conditions for membership, it must implement EU rules and regulations in all areas. These conditions, known as the "Copenhagen Criteria", were established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995 (Hillion, 2004). The aforementioned conditions can be summarised as follows:

- stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities;
- a functioning market economy and the ability to cope with competitive pressure and market forces within the EU;
- the ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards, and policies that make up the body of EU law (the "acquis"), and adherence to the aims of the political, economic, and monetary union.

The annual report of the European Commission in November 2006 included a special annex which was unusual until that time, entitled "European Capacity for the Integration of New Members". In the same line, the European Council in December of the same year declared that: "The pace of enlargement must necessarily take into account the capacity of the Union to accept new members". While the European Council has confirmed that the EU will keep its commitments regarding the ongoing negotiations, there is doubt as regards enlargement to those states that have not yet commenced negotiations. It was clearly indicated that enlargement does not depend on institutional reforms (Hill, Smith, 2011), as Preston has suggested: "The Union has always favoured its internal agenda over external demands, but also, in this enlargement, this tendency has been exacerbated by the mistrust among the EU Member States towards the twelve states knocking at its door, states with poorer populations and weaker economies and institutions" (Dimitrova, 2004). Therefore, and even years ago, the much-debated dilemma between widening and deepening was evident. Most often, observers assume that widening necessarily impedes deepening, depicting the future of the EU, in terms of a dilemma between "deepening" and "widening" (Kelemen, Menon, Slapin, 2015).

The Republic of North Macedonia has regularly declared its goal of EU membership since its independence in 1991, but due to Greece's rejection of the state's constitutional name, the diplomatic reports between North Macedonia and the EU were prolonged, only to be decided in 1995, firstly with the opening of the diplomatic mission in Brussels, followed by the European Commission opening a representative office in Skopje in 1998. It wasn't until July 2022, when an intergovernmental conference on accession negotiations was held with North Macedonia, that the European

Commission started the screening process. In the three decades in question, there has been a noticeable approach and departure of relations between North Macedonia and the EU, with some of the highlights as follows: the signing of the Stabilisation and Association Agreement (SAA) (2001); the submission by the Government of the application for EU membership (2004); and the granting of candidate status by the European Council (2005) (*Makedonija vo EU*, 2006).

## **North Macedonia's Preparations to Face the Conditions for the Internal Market and Competitiveness and Inclusive Growth**

### ***North Macedonia and the Internal Market***

The term “internal market” refers to the single market within the EU’s territory. The aim is to have an area without internal frontiers or regulatory obstacles in which the free movement of goods, persons, services, and capital is ensured in accordance with the articles of the Treaties. Some non-EU countries have even aligned their rules to those of the single market, extending its effects beyond the borders of the EU. These include non-EU members of the European Economic Area, namely, Norway, Iceland, and Liechtenstein. Switzerland also trades with the single market through bilateral agreements with the EU. Candidate and potential candidate countries also seek to align their legislation with the EU *acquis* as one of the conditions of their future membership of the EU (Eur-lex, 2024).

Few, if any, scholars of European integration would dispute the vital importance of the EU’s internal market. Despite Jacques Delors’ confession that it was difficult to fall in love with the internal market, he swiftly grasped the fundamental significance of its deepening and widening for the pursuit of the major socio-economic objectives of the EC Treaty as a robust basis for the position of the Community in the world economy and as credible leverage for the testimony of European values in world politics (Pelkmans, Hanf, Chang, 2008). It has already been argued that the internal market has been at the heart of the European integration project since the very beginning; the Treaty of Rome was built around a common market, and the revival of integration in the 1980s focused on creating a single market. Many of the fundamental principles of European law have been based on and sharpened by the needs of the internal market (Koutrakos, Snell, 2017).

Article 3(3) of the Treaty on European Union (TEU) directs that: “The Union shall establish an internal market”. The internal market is defined by Article 26(2) of the Treaty on the Functioning of the European

Union (TFEU) as: “An area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with provisions of the Treaties”. The aim, then, is a single trading area stretching across the territory of all 27 Member States. In economic terms, the EU is intended to be a single space, unfragmented by national frontiers – which is a bold vision given the centuries of regulatory diversity, political division, and cultural heterogeneity that has shaped the European continent (Weatherill, 2017).

There is a list of social or political anxiety about, or support in favour of, as the case may be, cross-border liberalisation issues based on the four freedoms and establishment, not seldomly combined with competition concerns. This can even go so far as irritation about “Brussels” becoming too powerful, even if the constraint on national regulation or (say) a regulatory tax is nothing else than the free movements themselves or mutual recognition. This so-called “negative integration” does not give rise to any rule or intervention from “Brussels” and still it is sometimes perceived as “centralising” because it may affect national “institutions” or entitlements expected to be outside the realm of the EU level (Pelkmans, Hanf, Chang, 2008). The profound legal, political, and policy pressures on the internal market make the focus on it as a whole rather timely. Firstly, there is an increasing awareness of the limits of the internal market. The imperative of broadening its scope and deepening its intensity by, for example, establishing a capital markets union in support of the EMU has been examined by policy-makers in Brussels and national capitals. Secondly, the full consequences of the successive EU enlargements for the integration project, including the internal market, are still unfolding. Thirdly, the state of the Eurozone (the duration and implications of the euro-problems have now rendered the term “crisis” inadequate to describe it) and the emerging mistrust of EU decision-making by an increasingly vocal public have raised existential questions for the process of EU integration (Koutrakos, Snell, 2017).

The actual realisation of the internal market requires significant degrees of liberalisation of cross-border movements and considerable freedom to establish (oneself or a company known as European Company or *Europea Societas* – SE) in other Member States.<sup>1</sup> Such cross-border liberalisation

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<sup>1</sup> North Macedonia, by signing the SAA, has committed to the gradual harmonisation of its legislation with the so-called *acquis communautaire*. In accordance with the negotiating position in Chapter 2 of Heading 5 entitled “Establishment of Enterprises”, as regards the establishment of European companies, North Macedonia undertook to offer treatment which will not be less favourable than that offered to all companies or companies from any third country, if it is more favourable. This became possible with the approval by the

is a necessity, not a sufficient condition for the EU internal market. In this regard, lawyers and economists may be more comfortable with the notion of a well-functioning internal market but it is only recently that more “economic” (often effect-based) approaches are beginning to be accepted in European law, including competition policy guidelines, and in regulation (e.g., in regulatory impact assessments) (Pelkmans, Hanf, Chang, 2008).

The loosest connection between a third country and the internal market *acquis* is represented by the model of cooperation between the EU and non-Member States without directly integrating the latter into the internal market. Such cooperation mainly takes place in the framework of Partnership and Cooperation Agreements (PCAs) and Euro-Mediterranean Association Agreements (EMAAAs) but also includes the European Neighbourhood Policy (ENP), the EU-Russia Common Spaces, the Eastern Partnership, and the Union for the Mediterranean (UfM) (Öberg, 2020). Between 2000 and 2005, the EU concluded Stabilisation and Association Agreements (SAAs) with six Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro, and Serbia). An SAA with Kosovo was concluded in 2015. Similar to EMAAAs, SAAs are virtually identical in content and envisage the creation of a Free Trade Area (FTA). In order to avoid distortions to the internal market that SAA countries will gradually be gaining access to, competition provisions were included and play an important role in the agreements. SAAs provide for approximation as regards the fundamental elements of the internal market *acquis* and other key policy areas including provisions on the free movement of workers, services and capital, and the freedom of establishment, albeit subject to restrictions (Öberg, 2020).

North Macedonia’s commitment to meeting the necessary conditions to become part of the internal market is reflected in the current situation in the Commission’s report. What makes this report special compared to the same reports from the Commission from previous years is the reporting period. This period was marked by the start of the EU accession negotiations process, and that included the screening process. The report covers the period from June 2022 to June 2023, and is based on input from a variety of sources, including contributions from the Government of North Macedonia, EU Member States, European Parliament reports, and information from various international and non-governmental organisations. It also includes the results of comparative assessments and

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Republican Assembly of the Law on the European Company on 30<sup>th</sup> August 2010. This law provides for entry into force after the country’s accession to the EU.



indices produced by other stakeholders, in particular in the rule of law. To describe progress made during the reporting period, it uses the following scale: backsliding; no progress; limited progress; some progress; good progress; and very good progress.

North Macedonia is moderately prepared in most of the areas covered by Cluster 2 on the internal market, namely with regard to the free movement of goods, services and capital, intellectual property, competition policy, financial services, and consumer and health protection (Report of the Commission for North Macedonia, 2023):

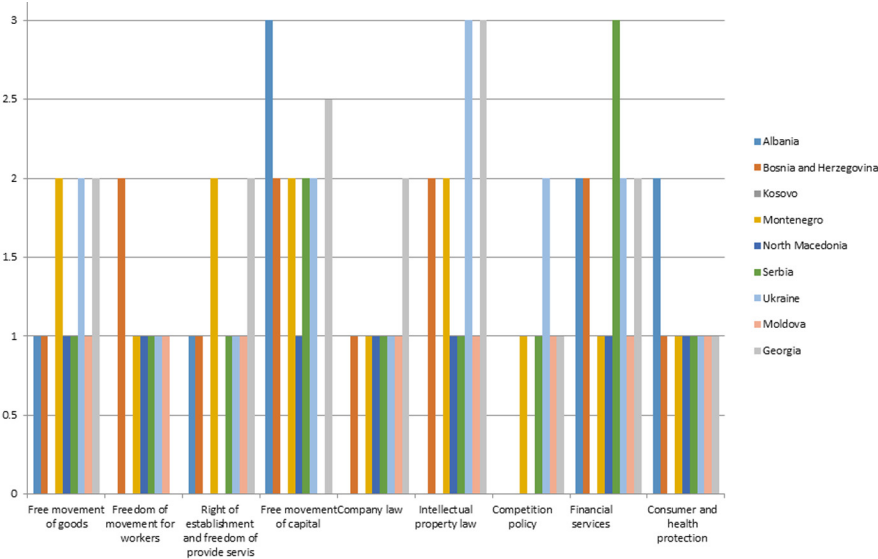
- As for the free movement of goods, the country is moderately prepared (it should: adopt the Law on market surveillance and the implementing legislation necessary to complete its alignment with the EU General Products Safety Directive, and start to significantly increase the human resources that ensure market surveillance; prepare and adopt a new action plan to eliminate non-tariff barriers to trade; and finalise and adopt a strategy for the free movement of goods).
- The country is at an early stage of preparation in the area of freedom of movement for workers (it should: strengthen the capacity of the Employment Service Agency; continue to adapt the legal framework on access to the labour market, particularly to rules on non-discrimination on the grounds of nationality against EU workers in all sectors; and continue negotiating and concluding bilateral agreements on social security coordination and healthcare insurance with EU Member States and put in place administrative measures to prepare for accession).
- On the right of establishment and the freedom to provide services, the country is moderately prepared (it should: adopt and start implementing the 2024–2025 action plan to ensure that sectorial laws comply with the EU Services Directive, and increase the amount of information and ensure online access to services under a Point of Single Contact; further align legislation on postal services, including with the Postal Services Directive and with the Regulation on cross-border parcel delivery; and align with the Directive on the recognition of professional qualifications and the Directive on a proportionality test before adoption of new regulation of professions).
- The country is moderately prepared in the area of free movement of capital (it should: refine, adopt, and implement the roadmap with actions and timelines for applying EU rules on the free movement of capital, including the acquisition of agricultural land; continue to implement the new law on payment systems and services, including through market entry of new payment services providers, contributing to a broader, high-quality set of secure payment services, and through

advancing the establishment of the unified register of bank accounts; and implement the new legislation on prevention of money laundering and the financing of terrorism).

- In the area of company law, the country has a good level of preparation (it should: align national legislation with long-term shareholder engagement on cross-border conversions, mergers, and divisions, and on the use of digital tools and processes in company law; and adopt legislation on accounting and on audits, so as to include a strengthening of the role and capacity of the Council for the Advancement and Oversight of the Audit of the Republic of North Macedonia).
- North Macedonia remains moderately prepared in the area of intellectual property law (it should: further improve the legal framework on copyright and related rights, notably by aligning with the Directive on collective rights management and the Directive on orphan works; further improve the legal framework on industrial property rights by aligning with the Directive on the enforcement of intellectual property rights and with the Directive on trade secrets; and implement the 2022–2026 Intellectual Property Strategy and make operational the online information platform for law enforcement institutions to exchange data on intellectual property rights).
- The country is moderately prepared in the area of competition (it should: further align the legislative framework, particularly the implementing legislation in the area of State aid and antitrust; ensure full transparency of State aid granted by the authorities; and strengthen the administrative and financial capacity of the national competition authority).
- The country remains moderately prepared in the area of financial services (it should: adopt the recovery and resolution law to allow for the possibility to design a bank resolution authority and amend the law on deposit insurance as well as the banking law to improve deposit insurance; advance with the preparation and adoption of key pieces of legislation that regulate capital markets, namely the Law on financial instruments and the Law on prospectuses and transparency of security issuers; and address gaps in alignment with the revised versions of Capital Requirements Regulation and Directive, notably with the net stable funding ratio and align with the Solvency II Directive, with especial focus on pillar 1 and pillar 3 of that Directive).
- In the area of consumer and health protection, North Macedonia remains moderately prepared (it should: adopt and start to implement the next three-year consumer protection strategy and reinforce the capacity for market surveillance; intensify efforts on tobacco control and

ratifying the Protocol to Eliminate Illicit Trade in Tobacco Products; and ensure adequate funding and capacity to ensure the early detection of cancer and rare diseases based on data from the registers).

Chart 1 below reflects the comparison of the progress assessment by the European Commission for the countries of the EU enlargement process based on the last Report of the Commission regarding Cluster 2. From the chart, it can be seen that in comparison to other countries in the enlargement process in 2023, North Macedonia received a rating of 3 (good progress) only for the freedom of capital movement, a rating of 2 (some progress) for financial services and consumer and health protection, while a rating of 1 (limited progress) was received for the free movement of goods and the right of the establishment and freedom to provide services. Four areas remain with the lowest rating of 1 (no progress): the freedom of movement for workers, company law, intellectual property law, and competition policy.



Leveling progress

0	No progress
1	Limited progress
2	Some progress
3	Good progress
4	Very good progress

**Chart 1. North Macedonia Progress Compared to Other Countries in the Enlargement Process in 2023 (Cluster 2: Internal Market)**

Source: European Commission country reports, 2023.

### ***North Macedonia and Competitiveness and Inclusive Growth***

Cluster 3 on competitiveness and inclusive growth encompasses digital transformation and media, science and research, enterprise, and industrial policy. It also covers social policy and employment, education, and culture as well as the customs union, economic and monetary policy, and taxation.

At the Lisbon Summit in March 2000, Europe's heads of state and government declared their ambition to make the EU "the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth, with more and better jobs and greater social cohesion". To achieve this, the European Council adopted the Lisbon Strategy, an agenda consisting of short-term political initiatives as well as medium and long-term economic reforms aimed at achieving higher economic growth and employment, better environmental protection, and increasing social cohesion (Mundschenk et al., 2006).

Today's Europe seeks sustainable, smart, inclusive growth that is environmentally friendly. As stated in the Europe 2020 Competitiveness Report, Europe should support smart, environmentally sustainable and socially inclusive competitive strategies, an obvious shift from a traditional cost-based approach of measuring competitiveness by productivity and cost indicators. The traditional approach is limited because it excludes measures of a knowledge-based economy or innovation potential and does not allow for an evaluation of countries' competitiveness from a firm-level perspective (Huber, Nerudová, Rozmahel, 2016).

North Macedonia has made some progress that puts it in a moderately prepared position to face competitive pressure and market forces within the EU. Integration with the EU in trade and investment remained at a high level in recent years. The share of high-value products in exports continued to grow and trade openness marked record growth. There has been further progress in improving vocational education, but large skills shortages persist in relation to labour market needs, resulting in long school-to-work transitions. These, along with large gaps in transport and energy infrastructure, low investment, and low innovation funding, are limiting potential growth. The digitalisation of the economy is progressing, but the competitiveness of domestic businesses can be improved through a wider offer of public e-services (Report of the Commission for North Macedonia, 2023).

North Macedonia is moderately prepared in most of the areas covered by Cluster 3 on competitiveness and inclusive growth, including digital transformation and media, taxation, social policy and employment, and enterprise and industrial policy (Report of the Commission for North Macedonia, 2023):

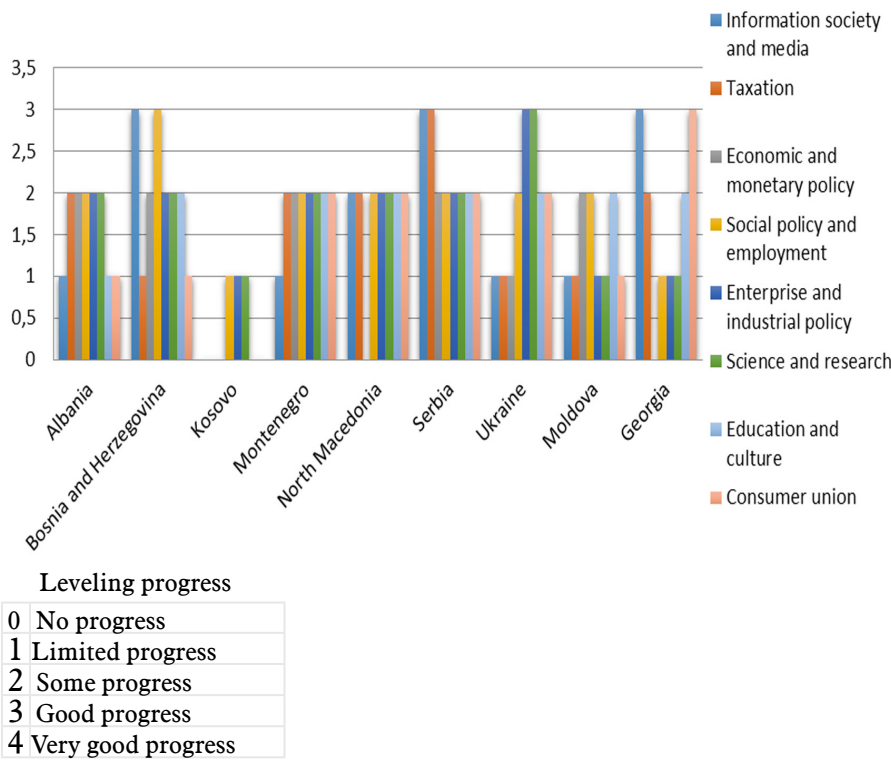
- As for digital transformation and media, limited progress was made, consisting of a slight increase in the number of electronic services offered to citizens and businesses (the country should: finalise and adopt the long-term information and communication technology strategy; finalise and adopt the national cyber security strategy for 2023–2027; align national legislation with the European Electronic Communications Code, the EU broadband cost reduction Directive, the EU Directive on security of network and information systems and the 5G toolbox; strengthen the independence and capacity of the media regulator, the Public Service Broadcaster, and the regulator on electronic communication; and improve the functioning of the 112 emergency number by ensuring adequate human resources and improve communication among emergency services).
- Some progress was made specifically in amending its preferential tax regime in the technological and industrial development zones (the country should: develop a new integrated IT tax system for the Public Revenue Office (PRO); improve its compliance risk management and the strategic reform process of the PRO; and start preparations for putting in place a mechanism to implement the automatic exchange of financial account information with EU Member States effectively, in line with the OECD global standard).
- The country is between a moderate and a good level of preparation in the area of economic and monetary policy and some progress was made (it should: adopt implementing legislation to the Organic Budget Law with a view to fully applying fiscal rules, a strengthened medium-term budgetary framework and a prudent management of fiscal risks; take the necessary legislative and organisational steps to enable the Fiscal Council; and exclude the Central Bank from the scope of the Law on administrative servants, the Law on public sector employees and the Law on the payroll system).
- In the area of social policy and employment, some progress was made, notably on steadily reducing unemployment and increasing social assistance benefits (the country should: continue to implement the Youth Guarantee as well as activation measures for vulnerable groups and set up systems to properly evaluate the measures; enhance the capacity of the State Labour Inspectorate to better address matters related to occupational safety and health; finalise the set-up of a monitoring system, and ensure proper evaluation of social services and continue the social protection reform with an emphasis on employment activation).
- Some progress was made on last year's recommendations and entailed measures to increase the competitiveness of domestic companies (the

country should: consolidate the institutional structure and mandates of public bodies and increase the effectiveness of industry and enterprise policy measures; adopt and start implementing the export promotion strategy; and start implementing the new 2023–2027 strategy for the formalisation of the informal economy, with an action plan, and ensure high-level political commitment).

- Some progress was made on strengthening the research and innovation capacity of the public and private sector by increasing the budget for science by developing the yet to be adopted smart specialisation strategy, and through the country's continuous improvement in the Horizon Europe participation (the country should: increase investment in research in line with the new European Research Area priorities; Develop dedicated measures aiming to promote and increase participation in Horizon Europe and other relevant EU financing instruments in this area; and adopt the smart specialisation strategy and start developing measures for its implementation).
- From the point of view of education and culture, limited progress was made in the reporting period with the adoption and introduction of guidelines and programmes to strengthen inclusiveness and promote green skills (the country should: finalise and adopt the Law on secondary education and the Law on vocational education and training and set up and operationalise the regional VET centres; adopt the Law for adult education; improve access to quality education for all, in particular children with disabilities and children from Roma communities; and increase pre-school enrolment and continue improving support for teachers' training and professional development).
- In the sphere of the customs union, limited progress was made on consolidation, application and upgrade of IT systems while the Concept of Authorised Economic Operators (AEO) was further promoted, including through regional cooperation initiatives among the customs administrations of the WB6 countries (the country should: implement the New Computerised Transit System Phase 5; continue the consolidation and full application of its IT systems, including alignment with the Commission's Multiannual Strategic Plan modules, ensure their continuous upgrade, and business continuity; and ratify the Protocol on the Elimination of Illicit Trade in Tobacco Products).

Chart 2 below provides data according to which North Macedonia has not received a rating of 3 (good progress) nor a rating of 4 (very good progress) in any of the chapters of Cluster 3 that deals with competitiveness and inclusive growth. It received the highest rating of 2 (some progress)

for the chapters on: taxation; economic and monetary policy; social policy and employment; enterprise and industrial policy; and science and research. It received the lowest rating of 1 (limited progress) for the chapters on: information society and media; education and culture; and the customs union.



**Chart 2. North Macedonia Progress Compared to Other Countries in the Enlargement Process in 2023 (Cluster 3: Competitiveness and Inclusive Growth).**

Source: European Commission country reports, 2023.

## Conclusions

North Macedonia's road to full integration into the EU has been long and with ups and downs. The orientation and aspirations for this integration have been on display since its independence, with the signing of an SAA in 2001 as the first country among the SAP countries, which culminated in 2005 when the European Council decided to grant the country candidate

status. In the meantime, the name dispute with Greece, the solution to which was reached via the agreement to change the name to “North Macedonia”, paved the way for European integration, while the dispute with Bulgaria was not long on the horizon with the aim of fulfilment by North Macedonia of the obligations obtained with the friendship treaty between the two countries from 2017. Taken as a whole, and analysed from the point of view of the spheres of interest for the conducted study (Cluster 2 and Cluster 3), North Macedonia has made good progress in the free movement of capital and some progress in financial services and consumer and health protection. Limited progress has been made on the free movement of goods, and the establishment of rights to provide services. There is a lack of progress in company law, intellectual property law, competition policy, and the freedom of movement for workers. More efforts are needed, however, particularly in areas where limited progress has been made, such as digital transformation and media, the customs union, and education and culture. Overall, more progress is needed in the areas covered by these groups in the coming year, so as to feed into North Macedonia’s preparations to meet the requirements of the EU’s internal market. The work in this direction is of great importance for the development of the Common Regional Market. The message coming from Brussels is clear; Skopje must move beyond words and onto actions.

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