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Skopje



National
EU Debate

NATIONAL EU DEBATE

DELIBERATIVE POLLING ON THE
OPPORTUNITIES AND CHALLENGES
OF MACEDONIA'S EU ACCESSION

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Questions and answers

Why is there a need for an open, broad dialogue with citizens regarding the integration of the Republic of Macedonia in the European Union (EU)?

As is the case for many other countries, the European integration of Macedonia has been an elite-driven and exclusive process. The lack of a genuine, inclusive debate has resulted in superficial and fragmented information, as well as a lack of accessible and objective data about the EU. The ordinary citizens, those whose livelihood will be mostly affected by joining the EU, seem to be excluded.

EU membership presents numerous opportunities and challenges, resulting in difficult decisions to be made by the prospective members' National Governments. As a candidate country for full EU membership Macedonia depends on the opinion of its citizens, in order to make correct and legitimate choices.

The National EU Debate aims to bridge the gap of fragmented and non-inclusive EU dialogue and to strengthen the culture of informed public debate in Macedonia. Involving the citizens in an open discussion with the EU policy experts and intellectuals provides them with an opportunity for expressing their views on the process. The conclusions and findings of the national debate will be shared with the relevant policy actors and decision makers, as well as with the wider public.

What is the purpose of this document?

This document is a summary of the two discussion topics of the deliberative polling event. It provides:

1. **Information about the European Union;**
2. **Background info about two topics: democratic reforms and economic reforms in Macedonia;**
3. **Several possible policy approaches regarding the two topics and presents the challenges and opportunities regarding the EU accession for Macedonia for each approach.**

There are a number of topics that could be discussed in this regard, but due to time constraints the focus of the debate, and thus this document, is on democracy and the economy as two major topics related to the European integration of Macedonia. While the document does not present all possible policy approaches and arguments for and against the policies, it serves as a basis for stimulating these discussions. You are welcome to discuss the arguments for and against that are present in this document, and also bring in your own arguments to further the deliberations. Although the document aims to support the discussion on Macedonia's membership/accession to the EU, arguments regarding alternative paths are more than welcome.

Is the information provided in this document balanced and unbiased?

In preparing this document, it was very important that the provided information was objective, balanced and unbiased. We consulted with leading experts with differing perspectives on the topics addressed and drafted the document with the help of our partners. The people who reviewed the document for balance and accuracy are:

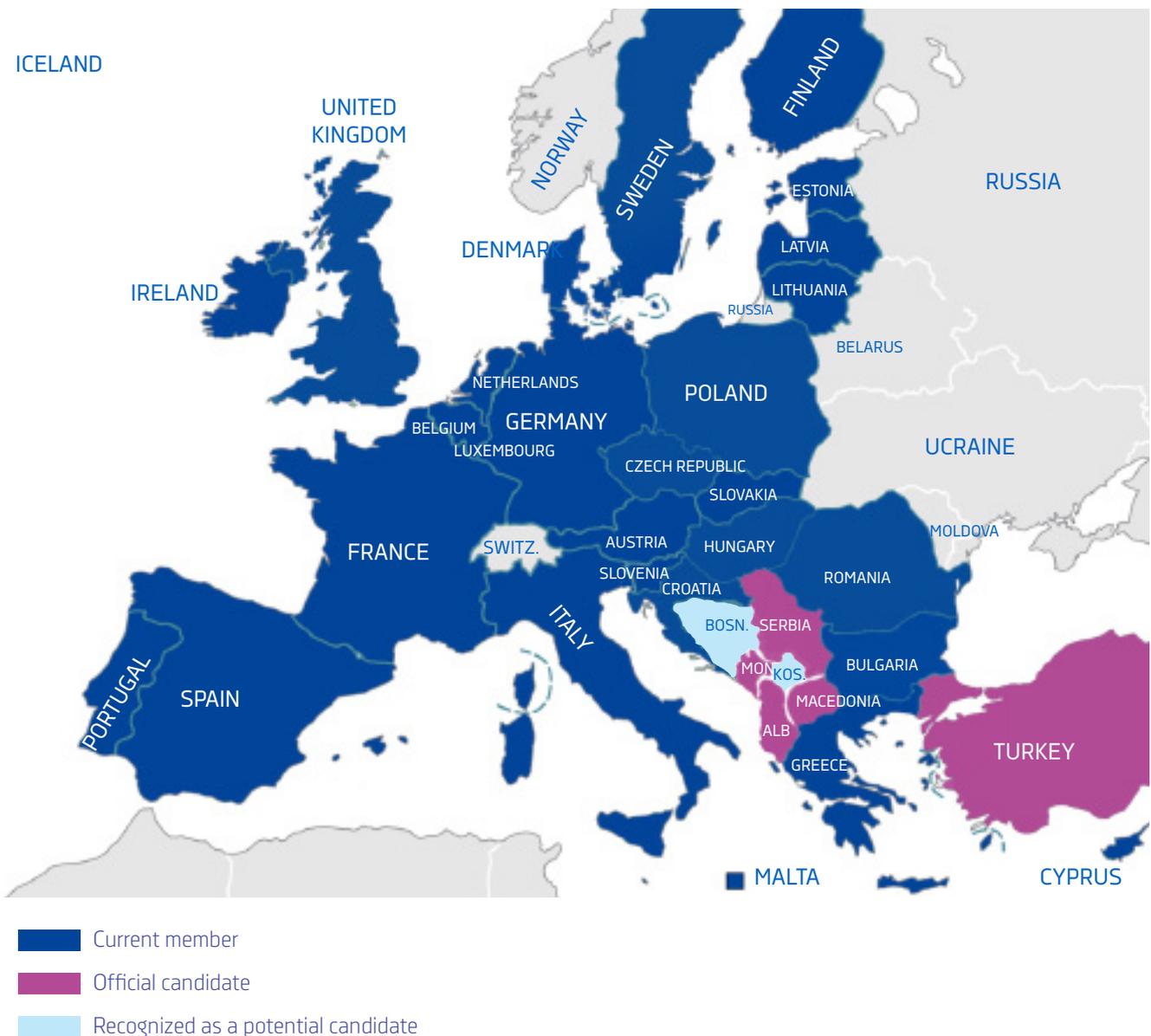
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The European Union

What is the EU?

The original development of the European Union was based on the Treaty of Paris (1951) and the Treaty of Rome (1957), which established the European Economic Community (EEC). Six countries, Belgium, Germany, France, Italy, Luxembourg and the Netherlands formed a distinctive economic and political bloc. Following the Treaty of Maastricht (1992), it took the name of the European Union (EU) and today is comprised of 28 member states. The Union is a major economic and political alliance covering over 30 policy areas, including human rights, trade, environment, energy, external relations and security, migration, justice, etc.

The EU is based on the rule of law, meaning that all of its work is based on treaties that have been voluntarily and democratically agreed upon by its member states. The member states are represented in the EU in two bodies: the European Council and the Council of the EU, whereas the citizens are directly represented in the European Parliament (EP).



In which areas does it work?

The EU only has only the competencies that have been conferred to it by the Treaties, i.e. the member states. These competencies are divided into 3 main categories:

- Exclusive competencies in which the EU alone is able to legislate and adopt binding acts. These include areas such as: customs, competition, monetary policy (i.e. the Euro).
- Shared competencies where both EU and member states legislate. Key policy areas include the internal market, agriculture, consumer protection, transport, justice and security.
- Supporting competencies, where the EU can only intervene to support, coordinate or complement the actions of member states. Policy areas include: industry, culture and education, amongst others.

Macedonia and EU

Joining the EU is a strategic priority for the Republic of Macedonia. In 1992, all parties in the Parliament unanimously adopted a declaration for the country's strategic goal to join the EU and NATO. Ever since, public support for Euro-Atlantic integration has remained high. Despite a steady decline in this regard in the past few years, none of the major political actors in the country, that is to say political parties, NGOs and the general public, openly objects to EU and NATO integration.

Some political landmarks along Macedonia's path towards EU membership have been:

- On 9 April 2001 the Republic of Macedonia signed the Stabilisation and Association Agreement (SAA) with the EU.
- Already on 22 March 2004 it submitted its application for EU membership. The same year a National Strategy for European integration was adopted by the Macedonian government.
- On 15 December 2005, the European Council officially granted Macedonia candidate status for EU membership.
- In October 2009, the European Commission (EC) recommended that Macedonia should open accession negotiations with the European Union. In addition, its citizens were offered visa-free travel in the EU Schengen area.
- In its 2015 Report, the EC issued a "frozen" recommendation, which meant that the recommendation was conditional upon the resolving of the political crisis in the country.

Becoming an EU member state requires the adoption of the European Acquis, which is the accumulated legislation, legal acts, and court decisions that constitute the body of EU law. It means that Macedonia will not only approximate and harmonize its legislation with the Acquis, but it will also accept the legal supremacy of the latter. Membership also requires compliance with the so-called 1993 Copenhagen criteria. This consists of a specific body of required **democratic and economic reforms** that put prospective members on the path to EU accession.

2 https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/enlargement_en

Issue 1: Democratic Reforms

State of affairs: Democracy and the EU

Democratic reforms are the backbone of the EU enlargement process. The EU prides itself on being a group of states in which democratic norms, supported by law, are the criteria for accession. This means that before joining, Macedonia must undergo a thorough process of democratization in order to catch up with EU member states.

The political accession criteria, as established in Copenhagen in 1993 are:

- The stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.³

Macedonia has been an EU candidate country since 2005. Its political institutions guarantee minimum EU standards regarding democracy and the rule of law. Since independence in 1991, a number of achievements have been made:

- The country transitioned from a former one-party, socialist democracy with a planned economy to a liberal, pluralist democracy based on rule of law and free-market principles.
- Freedom of speech, expression and the press have been institutionalized and the Macedonian citizens are free to choose among the variety of political opinions.
- Organized political parties became major political actors while elections represent tests for their competing ideas. Political stability (with some major exceptions, such as the short 2001 armed conflict) has been also maintained. Despite the setbacks, the Macedonian and the ethnic Albanian parties have cooperated within the institutions throughout the years.

Equally, there have been challenges, such as:

- The division of power has never been fully implemented so as to secure the independence of, and 'checks and balances' between, the legislative, executive and judicial branches of the government.
- Political elites have controlled the democratization process, and corruption and party clientelism have characterized the process of transition.
- Interethnic relations have remained fragile throughout the years and, in general, citizens have been excluded from decision-making procedures.
- The sovereignty of the people, despite being constitutionally guaranteed, has remained formal rather than substantive.

An imbalanced struggle for democracy has characterized the transition years. That is to say that formal, procedural democracy has preceded substantive i.e. egalitarian democracy. Based on this, external analysts, Freedom House being one of them, classified Macedonia's political system as a "Transitional Government or Hybrid Regime." In simple terms, it is a governing system in which, although elections take place, citizens are cut off from knowledge about the activities of those who exercise real power because of a lack of civil liberties. This is illustrated by the country's democracy score. On the level from 1 (best) to 7 (worst) the country's record worsened, going from 3.82 in 2007 to 4.29 in 2016.⁴ Please see the table below.

3 https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria_en

4 <https://freedomhouse.org/report/nations-transit/2016/macedonia>

Nations in Transit Category and Democracy Scores: Macedonia⁵

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	3.75	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.75
Electoral Process	3.25	3.25	3.50	3.25	3.25	3.25	3.25	3.25	3.50	3.75
Civil Society	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.50	3.25
Independent Media	4.25	4.25	4.25	4.25	4.50	4.75	4.75	5.00	5.00	5.25
Local Democratic Governance	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.00
Judicial Framework and Independence	3.75	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.50
Corruption	4.75	4.50	4.25	4.00	4.00	4.00	4.00	4.25	4.25	4.50
Democracy Score	3.82	3.86	3.86	3.79	3.82	3.89	3.93	4.00	4.07	4.29

Despite its 2005 EU candidacy, which recognized (some, if not full) democratization efforts, the country has not been able to open accession negotiations with the European Commission. There are two main reasons for this:

- The long standing “name-dispute” with Greece
- The deterioration of democracy in the country

In short, opening accession negotiations with the EU requires all EU member states to agree. It is well known that Greece is insisting upon the condition that the “name-dispute” be resolved before accession negotiations are opened.

In addition, the democratic standards, which make the basis for EU membership, have degraded. Many relevant factors, including the EC reports on the country’s progress toward the EU have pointed to illiberal tendencies and “state capture” in Macedonia. Private, mostly party-related, interests significantly influenced (i.e. privatized) the work of the state institutions such as the government, public administration, judicial bodies, regulatory agencies and media outlets.⁶ As a result, political polarization in the country increased. In the past few years, civil unrest and continual protests have filled the democratic void. Inter-ethnic relations have also been tense and deep intra-ethnic political cleavages have increased. Party antagonism reached unprecedented levels and contributed to the momentum that led to the events of 27 April 2017, when an angry mob stormed the parliament, injuring a number of MPs from the opposition.

The election of the new government on 1 June 2017 provides a new window of opportunity. The government clearly announced a return to the EU accession path. Now, whilst it is clear that democratic reforms are needed, the challenge is to define and implement the most suitable approach. Obviously, the choice and pace of reforms will reflect the kind of state and society we would like to live in. It will also largely affect our future EU prospects. In this context, our two general questions are:

1. How should democratic reforms proceed?
2. What effects would the reform approach have on society in general and the EU integration of the country in particular?

⁵ Ibid.

⁶ https://ec.europa.eu/neighbourhood_enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_the_former_yugoslav_republic_of_macedonia.pdf

CHALLENGES AND OPPORTUNITIES-DEMOCRACY

In the famous words of Abraham Lincoln, democracy is a government “of the people, by the people, and for the people.” In other words, democracy is a formal set of rules, procedures and institutions but also a way of life. It is a condition of society characterized by its tendency towards equality.⁷ In the past 25 years the citizens of Macedonia have learnt that formal rules do not necessarily translate into a participative and egalitarian democracy. Hence, changes are needed. In order to provide decent livelihoods for our citizens and in order to join the EU we will need to strengthen our democratization efforts. In formal, procedural terms, these consist of:

- Strengthening the rule of law and good governance practices
- Judicial reform and the depolarization of public administration
- Greater media freedom and human rights protection.

In substantive terms we need to strengthen citizens' participation in politics but also to make our society more equal. There are different possible ways to go about this:

1. Some people claim that only deep-seated systemic reforms can reestablish the rule of people. However, there are disagreements considering the pace of these reforms. Some people advocate swift changes led by the government, while others advocate for gradual changes led by civil society.
2. Some people think that giving reform priorities to certain parts of the governing apparatus will be more effective – the judiciary and public administration for example; while others advocate urgent media reform that will create a democratically-engaged public as a prerequisite for the overall democratization of the country.

In this context:

- Should we continue with swift, national government-led reforms to the system? Or, will civil society led, gradual democratization reforms be more effective in the long run?
- Should we firstly prioritize securing rule of law and good governance practices? Or are consistent and targeted judicial/administrative and/or media reforms actually the way forward?

1. Different approaches – types of reforms

We suggest two possible reform types:

1. National government-led systemic reforms – vertical, top-down structural changes necessary to transform the system as a whole. These would tackle the country's structural deficiencies head on, mostly the 'captured state,' to restore democratic rule. These government led reforms need clear political guidance and are mostly executed by the governing bodies. Prominent actors include: the government, the parliament, political parties.
2. Civil society-led gradual reforms – horizontal, bottom up, slow and measured changes benefiting from civil society expertise. These reforms would aim to invoke continuous but thorough reforms that democratize the system from the bottom up. They would require, and are based on, political consensus. Prominent actors: civil society (NGO's, grass-roots movements, individual citizens) and the government.

⁷ Kaldor & Vejdova. 2002. Democratisation in Central and Eastern Europe. Continuum, London.

	Opportunities	Challenges
<p>Approach 1:</p> <p>National government reforms of the system</p>	<p>1.It is the only way to deal with systemic and widespread political corruption, which has choked the Macedonian democracy for the past 25 years.</p> <p>2.It provides clear political guidance over the process from the highest government ranks, securing control and efficiency.</p> <p>3.It also means speed and focus that will precisely and simultaneously tackle the flaws of the system.</p> <p>4.It will aim to simultaneously address the fundamental shortcomings of Macedonia's democracy, such as the separation of powers (securing the independence of the parliament, government and judiciary).</p> <p>5.It will establish strict rules beforehand regarding the accountability of politicians, making the whole process more transparent</p> <p>6.Swiftly and thoroughly reformed institutions will facilitate proper rule of law and good governance practices resulting in stability and the efficiency of the system as a whole.</p>	<p>1.Speed comes at the expense of thoroughness – it is impossible to simultaneously tackle every deficiency - many important issues may be left out.</p> <p>2.Government-led reforms will place too much power in the hands of the governing apparatus, stimulating autocratic tendencies.</p> <p>3.Swift reforms will put too much pressure on the system as a whole, revealing its structural deficiencies in political, social, and human capital.</p> <p>4.Strict division of powers will require a stronger monitoring apparatus to oversee the reform process and put too much power in the hands of law-enforcement agencies.</p> <p>5.Strict rules may end up in overregulation and fines limiting autonomy and incentives</p> <p>6.Securing rule of law is a long and continual process – swift reforms will jeopardize the already weak institutional balance.</p>
<p>Approach 2 :</p> <p>Civil society lead gradual reforms</p>	<p>1.It enables measured changes based on civil society expertise leading eventually to fundamental changes in a society's political and economic system.</p> <p>2.It provides inclusive participation for all in the democratization processes and avoids problems with centralized governance while still providing a stable democratic system.</p> <p>3.It sacrifices speed for thoroughness. It aims for a considered and context-related system of rule of law and procedures for good governance.</p> <p>4.Gradual reforms take time but lead to deeper and more fundamental changes to the society.</p>	<p>1.Thoroughness comes at the expense of speed – the effect of the gradual reforms will be only felt in the long run.</p> <p>2.Participatory democracy increases the risk of populism and possibly leads to the ‘tyranny of the majority.’”</p> <p>3.Thoroughness requires an organized approach which can lead to overregulation and bureaucratization.</p> <p>4.Due to the length of the process gradual reforms can increase corruption and are dependent on constant political will to reform.</p>

2. Different approaches – priorities in the reform process

- The priority accorded to the necessary reforms dictates which order flaws in the system are tackled, based on their relative importance. Given the previously mentioned suggestions, the following are our proposed options: Rule of law and good governance practices: establishing the non-arbitrary exercise of political power and the supremacy of, and strict respect for, the rule of law. Securing the accountability and transparency of the elected officials and public institutions.
- Judiciary reform (including the reform of public administration): securing the impartiality of judgments as well as the independence of both the judiciary and the public administration.
- Media reform: Securing independent and objective journalism.

	Opportunities	Challenges
Approach 1: Rule of law and good governance	<ol style="list-style-type: none"> 1. Securing rule of law is the first important step in restoring democracy to Macedonia. 2. Rule of law will aim at the strict separation of powers and will secure the autonomy and supremacy of the parliament (legislature) over the government (executive). 3. Good governance practices will facilitate increased participation, transparency and accountability encouraging a thorough process of democratization. 	<ol style="list-style-type: none"> 1. Securing rule of law is a long and continuous process, and hastily applied reforms could result in the opposite of the desired outcome. 2. Rule of law reforms will put a tremendous strain on the system as whole revealing its structural deficiencies in political, social, and human capital. 3. Setting an agenda for reaching good governance is a complex task which comprises the credibility in the government, respect for the institutions and the accountability power of citizens.
Approach 2: Judiciary reform	<ol style="list-style-type: none"> 1. Securing the primacy of justice and judicial independence is vital to the idea of separation of powers. 2. A reformed and independent judiciary will lessen the practices of selective justice and political corruption. 3. Equal access to effective and impartial justice is essential for the reconciliation of the society. It provides order and security and strengthens the democratic political consensus. 	<ol style="list-style-type: none"> 1. Judicial reform can only be effective as part of a country's legal reform or of the wider reform of its political system. 2. Judicial independence can only be achieved if kept away from the other branches of government. That is to say, strong and explicit political will is required as a precondition. 3. Ensuring the impartiality of the judiciary is quite a daunting task for traditional, paternalistic and clientelistic societies like Macedonia.
Approach 3: Media reform	<ol style="list-style-type: none"> 1. Securing media freedoms and independent and objective journalism. 2. Severing the highly corruptive link between the media owners, politicians, and journalists. 3. Creation of a healthy public sphere as a prerequisite for a genuine democracy. 	<ol style="list-style-type: none"> 1. Media reform will face the challenges of the free (and poorly regulated) media market. 2. The clientelistic relations between influential actors in the media sphere and politicians mean they will fight back. 3. The lack of an ethical media culture will prove to be an additional cultural obstacle.

WHAT EFFECTS WOULD THE REFORM APPROACH HAVE ON SOCIETY IN GENERAL AND EU INTEGRATION IN PARTICULAR?

Democratic reforms would influence the short and long term prospects of Macedonian society. Deeper democratic reforms would strengthen the legitimacy of the system and increase political and social cohesion. Inter-ethnic relations, as one of its main pillars, would be affected too. Stability, tolerance, and mutual understanding would increase in line with the pace of reforms.

The type of democratic reforms chosen would either streamline the country's accession process or not. Thorough reforms would certainly add wind to the sails of efforts towards EU integration. Genuine democratization would strengthen the rule of law, institutions and good governance and would substantially improve the record of media freedoms and human rights protection. Given the latter's inclusion in the Copenhagen enlargement criteria they would, most probably, lead to full EU integration and membership. Gradual reforms would keep our EU accession potential open but it would be conditional upon continued reforms.

The effect on society and inter-ethnic relations

	Opportunities	Challenges
<p>Approach 1:</p> <p>National government reforms of the system</p>	<ol style="list-style-type: none"> 1. Having a government-led process would streamline the democratization reforms, providing efficiency and effectiveness. 2. This and the focus on rule of law and good governance practices may result in stability and efficiency of the system as a whole. 3. It effectively translates into the easing of social and political antagonisms creating space for a wider political consensus. 4. An increased role for the ethno-political elites in the process may effectively manage the inter-ethnic relations in the country. 5. It may also increase the practices of consensual decision making and increase the political dialogue between elites. 6. The dialogue may possibly disarm the ethno-centrism as a source of division and cleavages in the country. 	<ol style="list-style-type: none"> 1. Effectiveness of the reforms may be impaired by the system's structural deficiencies and lack of political, social, and human capital. 2. Establishing rule of law is a long and continuous process. 3. An increased role for the ethno-political elites in the process can lead to political bargaining. 4. Collective identities may weaken, provoking a backlash from nationalist groups by disturbing their collectivist credo as the only, or rather main, source of political legitimacy. 5. Consensual democracy may lead to binational state.
<p>Approach 2 :</p> <p>Civil society led gradual reforms</p>	<ol style="list-style-type: none"> 1. Civil society-led gradual reforms are inclusive and will democratize the society from the bottom up. 2. They strengthen the horizontal and continuous dialogue amongst everyone, leading to a more stable system. 3. Continuous dialogue may decrease social and political antagonisms creating space for a wider political consensus. 4. A strengthened democratic consensus will gradually transform the ethnic divisions in the country. 5. It may also increase civic identities at the expense of ethno-centrism. 	<ol style="list-style-type: none"> 1. Gradual democratization does not address the urgency of democratic reforms in the country. 2. Horizontal deliberation is the opposite of the effectiveness and decisiveness needed in the reform process. 3. Social and political antagonisms will only be decreased as result of the bargaining of political elites. 4. Gradual reforms may be negative for inter-ethnic relations. If there are only marginal improvements, then ethnic divisions and practices of separation and segregation are likely to continue and be reinforced.

The effect on EU integration

	Opportunities	Challenges
<p>Approach 1:</p> <p>National government reforms of the system</p>	<p>1. Swift and systemic government-led reforms will put the country back on the EU path.</p> <p>2. Targeted, government-led reforms can focus on the specific EU requirements and efficiently improve the country's democratic and economic record.</p> <p>3. This type of reform will also tackle the name issue head on and prepare the society for the inevitable compromise with Greece.</p> <p>4. A fast track to EU membership will secure the political stability and the economic prosperity of the country in the long run and disarm ethno-centrism.</p>	<p>1. Fast paced EU integration will have negative effects—the country will not be prepared to face the democratic and economic requirements of full EU membership.</p> <p>2. Centralized reforms could increase the elitist nature of the EU integration process and alienate ordinary citizens from the process.</p> <p>3. Hastily pursued EU membership would require tough and unacceptable concessions regarding the name issue.</p> <p>4. The EU would remain a cause in itself rather than a genuine democratic maxim.</p>
<p>Approach 2 :</p> <p>Civil society lead gradual reforms</p>	<p>1. Gradual reforms will thoroughly prepare the country for EU accession.</p> <p>2. They will strengthen horizontal and continuous dialogue on the opportunities and challenges of the country's EU integration.</p> <p>3. More time will be given for rationally considering the specific democratic and economic reforms required by the EU.</p> <p>4. The name issue will be thoroughly and democratically tackled, preparing the country for compromise and eventual EU membership.</p> <p>5. Ideas for alternatives to EU accession would be abandoned, as they would be deemed unrealistic and irrational.</p>	<p>1. Gradual reforms will prolong the conditionality of the EU accession process and may increase the chances of political corruption in the country.</p> <p>2. Horizontal deliberation will also raise voices against the EU.</p> <p>3. Rational consensus takes time and will prolong the democratic and economic reforms.</p> <p>4. Thorough consideration for a compromise on the name issue may also, due to its cultural and identity sensitivity, cause an inclination towards the abandonment of the idea of necessary accession to the EU.</p> <p>5. In light of the abovementioned, ideas for alternatives to EU accession would gain momentum.</p>

Issue 2: Economic Reforms

State of affairs: The Economy and the EU

The desire for economic integration is one of the main driving forces behind Macedonia's bid to join the EU. The EU, above all, is a club of developed nations in which the levels of its citizens' economic well-being are among the highest in the world. To reach such a level, Macedonia's economy will need to be thoroughly reformed.

The economic criteria for being eligible to join the EU, agreed on June 1993 at the European Council in Copenhagen are as follows:

- Have a functioning market economy
- Have the capacity to cope with the competitive pressures and market forces within the Union.⁸

Obviously, as a candidate country, Macedonia fulfills the minimum economic standards required to join the EU. Ever since its independence in 1991:

- Market relations and economic freedoms have replaced the former state-governed economy.
- Massive privatization of the former state and public sector has liberalized economic relations in the country.
- Painful but necessary structural reforms and a macroeconomic stabilization program have generated additional economic redistribution.

However, the challenges have been numerous:

- The free market philosophy and the massive privatization that took place in the 90s has left a huge number of unemployed citizens on the street.
- The UN embargo on neighboring Serbia, the Greek embargo as well as the 2001 conflict have put an enormous pressure on the already-underdeveloped economy. The recent political crisis has additionally hindered economic prospects.
- Despite macroeconomic stability, overall GDP growth and the GDP per capita have remained low or unsatisfactory.

In sum, the country's economic development throughout the transition years has been mixed. Despite having been ranked highly in recent years in terms of economic freedoms ("mostly free" - 31st globally) which, as an illustration, puts the country in a much better position than many EU countries,⁹ the overall economic performance of the country is still fragile, and thus so does the quality of life (in economic terms) of its citizens.

Annual GDP growth 1990 - 2016

	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Macedonia	..	4.5	6.5	5.5	-0.4	3.4	2.3	-0.5	2.9	3.6	3.8	2.4

Created from: World Development Indicators

Series: GDP growth (annual %)¹⁰

8 https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/international-economic-relations/enlargement-and-neighbouring-countries/enlargement/economic-accession-criteria_en#economiccriteriaforjoiningtheeu

9 <http://www.heritage.org/index/ranking>

10 <https://data.worldbank.org/country/macedonia-fyr>

GDP growth per capita 1990 - 2016

	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Macedonia	3,853.9	3,448.8	4,192.9	4,418.3	4,398.8	4,542.9	4,645.5	4,620.6	4,751.9	4,920.2	5,104.8	5,222.8

Created from: World Development Indicators
 Series : GDP per capita (constant 2010 US\$)¹¹

Nowadays, the thinking of the majority of Macedonian citizens is that accession to the Union will improve quality of life not only in economic, but also social and political terms. Obviously, the citizens of EU member states enjoy significantly better social and economic conditions than the citizens of Macedonia. The major economic indicators support this interpretation:

Area	Macedonia	EU
Gross Domestic Product in purchasing power parity	<ul style="list-style-type: none"> •36% of EU 28 average GDP PPP in 2015 •35% in 2013 	•28.900 EYP in market prices
Actual individual consumption in purchasing power parity	<ul style="list-style-type: none"> •41% of EU 28 average in 2015 •39% in 2013 	•26.700 EYP in market prices
Unemployment rate	•26,1% in 2015	•9,4% in EU 28
Population was at risk of poverty threshold	•21,5% of Macedonian population in 2015	•17,2% of EU 28 population
Inequalities in the distribution of income	•The top 20 % of the population (with the highest equalized disposable income) in Macedonia in 2015 received 6,6 times as much income as the bottom 20 % (with the lowest equalized disposable income)	•This ratio in EU 28 in the same year was 5,2 times.

If Macedonia joins the EU, it will join one of the strongest economic and trade blocks in the world, comprised of 500 million people, representing 7.3% of the world's population and up to 23% of the nominal global GDP. However, joining the EU economic group is not without risks. Being part of the European Single Market can prove to be a big challenge for some countries. Smaller and underdeveloped economies can have particular difficulties adapting to it. The case of Macedonia could be unique. A small, underdeveloped economy with high levels of corruption and weak rule of law could face tremendous challenges when joining the EU single market.

Again, we are facing another set of difficult choices. The following issue is of utmost importance:

- 1. How should we prepare to integrate economically into the EU?

11 Ibid.

CHALLENGES AND OPPORTUNITIES-THE ECONOMY

In the words of Adam Smith, the inventor of modern day economics, “no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.” Hence, in general, the aim of the economy is to secure the production, distribution, and consumption of goods and services that will satisfy the needs of the society and its citizens. Since independence in 1991, Macedonia has struggled to secure and maintain the conditions needed to ensure decent livelihoods for its citizens. As the charts above illustrate, we are still far from the EU average.

So far the country’s economic reforms have been streamlined to meet the EU Copenhagen criteria for market liberalization and competitiveness within the Union. The EU candidacy status of the country confirms that the basic requirements have been met. Now, while proceeding further, the question of interest to us is what role our status in relation to the EU will have on our overall economic development.

1. According to some, only fast and full economic integration into the Union will have deep and measurable effects on the Macedonia’s economy. In short, the country will reap the benefits of the EU’s structural funds and embark on a fast-paced but EU targeted economic development.
2. Others think that quick economic integration into the EU might have adverse socio-economic effects. In their view, the current status of candidacy (EU association) provides enough support and funding from the EU, while at the same time preparing the country for the harsh conditions of competition within the EU single market.
3. Lastly, given the stalemate with the name issue, some propose the consideration of non-EU economic alternatives.

In this context:

- Should we strive for a fast-paced economic integration into the EU which, presumably, will significantly improve the overall economic prospects of the country?
- Should we continue with thorough but measured economic reforms which, given our associative status with EU, will gradually prepare our economy and society for full economic integration with the EU?
- Should we give up our EU plans and seek out alternative markets and prospects?

1. Different approaches – full economic integration

Full economic integration is the final stage of integrating economically into the EU. It leads to full embeddedness within the European Single Market – a territory with no internal borders or other regulatory obstacles to the free movement of goods and services.¹² To join this, and to catch up with the rest of the EU, Macedonia will need to close the gap between its current position and that of EU member states with regards to key economic, social and other development indicators.¹³ Moreover, full economic integration means devolving a significant chunk of the country’s economic sovereignty to the collective EU institutions. As a result, much of the country’s autonomy in economic matters will be surrendered and subject to joint and binding decisions.

Generally, referring to the experience of the eastern European countries who have joined the EU in the last decade, the net effects of full membership can be both positive and negative. Within the former category fall indicators such as:

12 https://ec.europa.eu/growth/single-market_en

13 <http://www.ekof.bg.ac.rs/wp-content/uploads/2014/06/174-5.pdf>

- Gross Domestic Product growth, the increase of Foreign Direct Investments and the decrease of public sector External debt.

Within the latter category, of negative effects, we see:

- Higher inflation, an increase in the Current Account deficit and private sector External Debt.¹⁴

Bearing this in mind, and also noting the comparability of Macedonia's economy to its former socialist neighbors, full economic integration will lead to both opportunities and challenges for the country.

	Opportunities	Challenges
Approach 1: Full economic integration	<p>1.The country will be granted large financial, technical, scientific, and institutional help from the structural, cohesion, and agrarian funds, amongst others, that will help to strengthen the structural modernization of the economy.</p> <p>2.The economy will have to operate under the pressure of the demanding EU internal market. In theory, at least, the exposure to higher competition should promote productivity and enhance competitiveness.</p> <p>3.Free trade and the removal of non-tariff barriers should help increase trade with the EU for Macedonian companies.</p> <p>4.Free movement of labor and students will enable Macedonian citizens to live, study and work in the EU, but also vice versa. They will also enjoy the benefits of the EU social protection scheme.</p> <p>5.Benefits from the Common Agricultural Policy (CAP) framework will ensure that there is a sustainable and affordable supply of food that meets EU standards - membership of the EU also provides full access to the Single Market for trade in agricultural products.</p> <p>6.EU law aims to protect the environment, tackle climate change and promote energy security as well as energy networks and markets – meaning that Macedonian citizens will benefit from better energy networks and markets.</p>	<p>1.Structural adjustment can improve the overall shape of the economy, yet it remains to be seen how successfully and wisely we will utilize it.</p> <p>2.Extensive competition in the EU market means that some domestic companies will probably not survive. For example, Slovenia, whose economy was comparably more developed at the time of accession that Macedonia's is now, had to privatize and sell most of its major companies (Iskra, Elan, Gorenje etc.).</p> <p>3.The EU operates as a customs union with a common external tariff applied to goods entering into the EU's single market, which provides collective strength for the member states but means that individual member states no longer have the right to individually agree on different tariffs with non-EU countries.</p> <p>4.EU rules ensure public procurement of goods and services and works in a way that is open to all EU companies on the basis of non-discrimination – this is important to avoid irregularities and to ensure fair concessions, which is good for competition but might harm national companies.</p> <p>5.Losing independence in monetary policy, and somewhat in fiscal and exchange rate policy, could jeopardize the prospects of the economy further. In light of this, the occasional growth problems and crises in the EU economy would easily have an impact on Macedonia's economy. Also, pressures to stick to austerity measures might lead to economic stagnation. The case of neighboring Greece is quite a telling example.</p> <p>6.Lastly, EU agriculture standards and rules might lead to some producers being forced to stop trading.</p>

14 https://www.um.edu.mt/__data/assets/pdf_file/0017/71054/Enlarging_the_European_Union.pdf

2. Different approaches: associate membership/association

The status of association is usually defined as an association agreement, such as the Stabilisation and Association Agreement (SAA) between the EU and Macedonia. The Agreement aims to foster cooperation and good neighborly relations with the other countries of the region, including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services. Regional cooperation encompasses the creation of a free trade area between countries linked to the EU by an SAA. There are provisions concerning the four freedoms: movement of goods, movement of workers, supply of services, and movement of capital. The SAA unilaterally grants more favorable trade concessions, on a provisional basis, to the countries participating in the stabilization and association process. The status of association assists in promoting harmonious economic relations and gradually developing a free trade area between the EU and the Republic of Macedonia. The status of association is considered to be a phase in the process of accession to the EU. It gradually exposes the national economy to the EU economy, allowing for a smoother transition towards a much larger market through asymmetric protection measures.

This phase corresponds with the current development of Macedonia in which some reforms out of the large EU accession agenda are being pursued. This means that the country remains more or less independent from the EU, but it adopts certain legislation, business environment reforms, or institutional improvements in order to improve the business and social environment of the economy. This is a scenario of partial, or limited, reforms, the aim of which is to improve the business or social climate, without necessarily leading to EU accession. The opportunities and challenges of this arrangement are as follows:

	Opportunities	Challenges
1: Association approach	<p>1. Trade with the EU by Macedonian companies is made easier, although trade and non-trade barriers have not been fully lifted. All advantages relating to freer trade with the EU should create jobs and lead to higher incomes, higher GDP and the reduction of poverty, albeit to a significantly lower level than in the case of free trade.</p> <p>2. The easing of administrative barriers, bureaucracy and the reduction of delivery times should also contribute to this. Products and services of an increased variety and improved quality, at a reduced price, should be available to Macedonian consumers to a certain extent, albeit to a much lesser degree than in the case of full integration.</p> <p>3. Exposure to higher competition, productivity and enhanced competitiveness. Still, at the beginning the openness may be asymmetric, with more openness to the EU market for Macedonian products, while some protection for these products still exists.</p> <p>4. Greater investment from the EU and from outside the EU. The country would become an especially attractive investment option (particularly from outside the EU) in the period leading up to full accession.</p> <p>5. Some other advantages of the four freedoms of free movement of goods, services, labor and capital would likely become apparent, such as:</p>	<p>1. The four freedoms of the EU single market (free movement of goods, capital, services, and labor) have not been fully operational and cannot achieve full potential.</p> <p>2. Administrative barriers and bureaucracies for movement of goods, services, capital and labor still exist.</p> <p>3. The policies of the EU are sometimes not efficient and may hinder flexibility, especially in the business sphere.</p> <p>4. Movement of labor is still difficult, since Macedonian workers still need to comply with a lot of requirements in order to have access to the to the European market, while they still do not enjoy the same rights as European workers.</p> <p>5. Additionally, there are no free travel arrangements or access to health services within the EU, although some rules enabling these may exist.</p> <p>6. In general, there is limited access to EU funds. The mutual recognition of standards and rules relating to the environment, safety, and health standards is also limited.</p> <p>7. Last but not least, the benefits from the CAP, along with the subsidies, are not fully available.</p>

	Opportunities	Challenges
	<ul style="list-style-type: none"> • There would be more opportunities for various businesses, for trade and for tourism. • Some opportunities for studying abroad would arise for young people. • There would be benefits gained from better compliance with regulations on the environment, safety, and health, as well as with social standards. 	

3. Different approaches: status quo

The last scenario is the status quo, or the state of not changing anything. In the worst case scenario, this means losing the EU candidacy status or, equally, opting for abandoning the overall EU integration process. This would mean that the economy and business environment would remain in limbo; that is to say in a state of prolonged uncertainty and stagnation. The lack of transparency and openness, and cases of favoritism, corruption and the lack of fair competition would remain relevant issues. Formally, the legal and institutional design would exist, but implementation and public oversight would remain poor. On the other hand, the country would preserve its economic sovereignty and could look for economic alternatives and markets elsewhere.

It is difficult to estimate the advantages of the status quo.

	Opportunities	Challenges
1: Status quo approach	<ol style="list-style-type: none"> 1.No adaptation costs for EU integration. 2.Continued but still conditional visa liberalization. 3.Independent national economic policy. Macedonian producers would not need to compete within the European single market while EU standards would not interfere with national production and market regulations. 4.Preservation of economic sovereignty. 	<ol style="list-style-type: none"> 1.Lack of implementation of the four freedoms, significant barriers to the movement of goods, services, capital and labor. 2.A large proportion of EU funds would not be accessible for Macedonian people, companies and organizations. Investment from both inside and outside the EU would remain low. 3.The lack of access to education, healthcare and social services within the EU would continue. 4.Opportunities for trade, tourism, higher incomes, higher GDP and the reduction of poverty would not materialize. 5.There would be a lack of EU competition policy, as well as a lack of EU CAP subsidies and similar EU policies.