

Free movement of the goods



Policy paper

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1. Introduction

Subject of analysis of this policy paper is the principle of free movement of goods. The free movement of goods is of great importance for the economic growth and development of the countries because trading goods has the largest share of the total world trade. The document will review the principle of free movement of goods within the European Union as part of the integration processes of the Western Balkan countries. The document will also analyze the current situation in the Republic of North Macedonia, in terms of free flow of goods as part of the integration processes.



2. Free movement of goods within the EU

Free movement of goods is one of the basic principles of the European Union. Along with the free movement of services, workers and capital, the free movement of goods is one of the 4 freedoms within the EU and the foundation of the internal market. Free movement of goods plays a key role in the economic growth and development of the Union. **According to the European Commission, as much as 75 percent of the trade within the Union takes place through the exchange of goods.**¹The European Union has a significant share in the global trade of goods. According to the statistics of the last decade, it participates with 14-16 percent of the total trade of goods, along with USA and China² also competing for the first place.

Traditionally, in trade there is a division between trading goods and trading services – thereby anything that cannot be classified as goods is considered service. Hence, for a more comprehensive analysis, it is necessary to distinguish what is considered a commodity within the EU. In the *EU-acquis*, besides the term “goods”, the terms “products”³ or “objects”⁴ are used interchangeably and as synonyms. According to the Court of Justice of the European Union (CJEU) goods encompass “products that can be expressed in terms of money thus may be subject to commercial transactions.”⁵ This is a general definition that has expanded over the years. In addition to these conditions, it is necessary for products to have a physical shape and are tangible⁶.

1. European Commission, *Free movement of goods - Guide to the application of Treaty provisions governing the free movement of goods*, 2010, Luxembourg: Publications Office of the European Union, 2010, p. 8.
2. Eurostat, *World trade in goods*, 2009-2019 (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_goods#World_trade_in_goods:_developments_between_2009_and_2019)
3. This term is used in the Treaty on the Functioning of the European Union (TFEU), in Articles 28(2) and 29.
4. This term has been used in the past by the CJEU, *Commission of the European Communities v Kingdom of Belgium C-2/90*, EU:C:1992:310 from 09.07.1992
5. *Commission v Italy*, EU:C:1968:51, from 10.12.1968.
6. *Peter Jägerskiöld v Torolf Gustafsson*, ECLI:EU:C:1999:515, from 21.10.1999

2.1. Free movement of goods as one of the four freedoms within the EU

The establishment of a single internal market is one of the main goals and reasons for the establishment of the EU. Achieving this goal is inextricably linked with securing the four freedoms provided in the 1957 Treaties of Rome as predecessors of the Lisbon Treaty (as a consolidated version of the TEU and TFEU).⁷

Free movement of goods within the EU is realized primarily through the creation of a Customs Union covering the entire territory of the EU.⁸ The purpose of the Customs Union is:

- to secure the **elimination of any customs duties on** import and export and all taxes with equal effect between the Member States,⁹ and
- **to determine common customs tariffs** of Member-States in relation to third countries.¹⁰

In order to implement the effects and benefits of the Customs Union **it is necessary to make customs cooperation obligatory** between the Member-States and the EU institutions.¹¹

Articles 34-37 of TFEU refer to the removal of any quantitative restrictions between EU Member States:

- Article 34 provides for a **ban on quantitative restrictions on import** and all measures with equal effect between Member-States;
- Article 35 provides for a **ban on the same export restrictions;**
- Article 36 provides **exceptions where prohibitions are justified – violation of public moral, public policy or public security; protection of the health and life of human beings, animals or plants; protection of the national treasures of artistic, historical and archaeological value; or protection of the industrial and commercial property.**

Therefore, it can be concluded that the principle of **free movement of goods within the EU is accomplished through the creation of a single internal market and Customs Union within the EU.** Primary methods which allow free flow of goods within the Union's territory are the abolition of customs duties on goods in circulation in the Union, harmonization of direct and indirect taxes, as well as the elimination of any quantitative restrictions with the same effect.

7. TFEU, Article 26(2).

8. *Ibid*, Article 28.

9. *Ibid*, Article 30

10. *Ibid*, Article 28.

11. *Ibid*, Article 33.

At the normative level, it is important to distinguish between different industries and subsequent goods produced in these industries. As mentioned previously, the term goods covers a wide range of products circulating within the Union – from medicaments to toys. Hence, the importance of standardization and harmonization of technical standards depends on the type of goods.

2.1.1. Free movement of goods inharmonized sectors

To ensure adequate consumer protection, public health as well as environmental protection, specific products within the Union are subject to standards and harmonized rules. The purpose of such standards and rules is to harmonize the various national standards related to the goods in free circulation in the EU internal market.

The standards within the EU are defined and set by the European Commission or one of the European Standardization Organizations:

- European Committee for Standardization – CEN;
- European Committee for Electronic Standardization – CENELEC;
- European institute for Telecommunication Standards – ETSI.¹²

In the harmonized and standardized sectors, difference is also made on the level of harmonization. Namely, depending on the industry, the goods may be subject to only partial standardization or detailed and comprehensive standardization. Thus, in sectors such as the automotive or chemical industries there is a detailed regulation and a high degree of standardization of certain products due to the fact that they have a significant impact on the public health and the environment. On the other hand, in most of the sectors (such as electronics and electronic equipment, mechanical industry, medical equipment, etc.), standardization refers to the fulfillment of conditions for protection of health, safety, and environmental protection.

12. More about the standardization process within the EU Internal Market, available at: https://ec.europa.eu/growth/single-market/european-standards_en

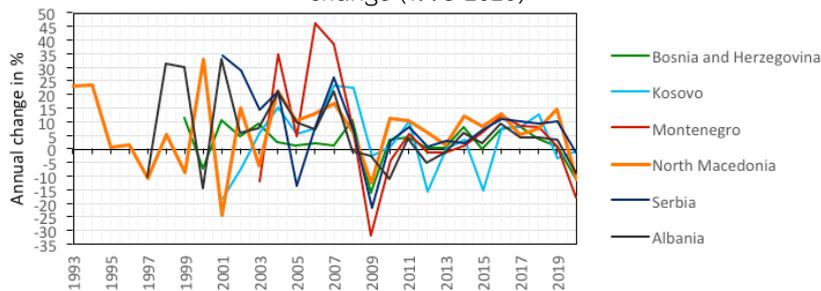
2.1.2. Free movement of goods in non-harmonized sectors

Within the framework of the EU there are also sectors and industries that are not subject to harmonization and standardization in accordance with the *EU-acquis*. **This does not mean these sectors are not subject to regulation, but that the Member-States have the right to determine the standards and criteria to be met by the products concerned.** These standards are subject to Articles 34-36 of the TFEU, i.e., States must not use such standards to create barriers to import and export of goods, unless they are justified and do not fall under any of the exceptions provided for in Article 36 of the TFEU.

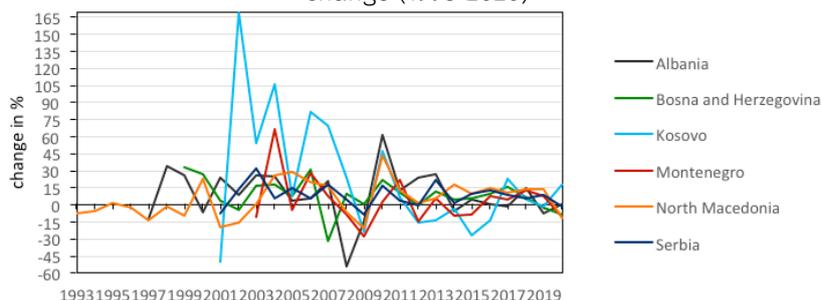
3. Free movement of goods within the Western Balkans

The integration processes taking place within the Western Balkan countries are of exceptional importance to overcome the long-standing conflicts on this territory, as well as for achieving economic growth and development in the region. The EU integration process has proved to be long and arduous for most of the countries, often accompanied by political conflicts that sadly hinder economic benefits. Of the entire territory of the Balkan Peninsula (with the exception of Greece, who has been a member of the EU since 1981), only Bulgaria and Romania are EU-members (since 2007 within the Sixth Wave of Enlargement) and Croatia (since 2013 within the Seventh and final Wave of Enlargement).

In terms of trading goods, **statistics show that from 1993 up to date, significant fluctuations have occurred in the Western Balkans, i.e., no balanced growth, both on the import and the export side is apparent.** In terms of the percentage change on annual basis, the most drastic changes in imports are noted in Montenegro, while in the exports in Kosovo (although such fluctuations are partly a reflection of the fact that in those years these countries declared themselves as independent territories). However, more or less **the fluctuation trend is evident in all countries in the region, with a steady decline during the global economic crisis of 2008-2009, as well as the crisis in recent years caused by the COVID-19 virus.**

Graph 1 – Import of goods of Western Balkan countries, annual percentage change (1993-2020)

Source: International Monetary Fund, World Economic Outlook Database, April 2021

Graph 2 – Export of goods of Western Balkan countries, annual percentage change (1993-2020)

Source: International Monetary Fund, World Economic Outlook Database, April 2021

The integration processes should provide a greater degree of integrated economies and more stable growth in trade in services. Although the countries of the Western Balkans are at different levels of integration, inevitably the primary step to successful rapprochement to the EU is the establishment of mutual cooperation on economic level of all countries. To that end, the countries are involved in multiple regional integration processes.

3.1. CEFTA-2006 as a preparatory step towards EU accession

The CEFTA Agreement (Central European Free Trade Agreement) was initially concluded between the countries of Central and Eastern Europe in the post-Soviet period.¹³ CEFTA serves as a preparatory step for Member-States in the EU integration process. CEFTA members are countries that aspire to full EU-membership. The moment when the countries meet the conditions for becoming EU-members, their CEFTA-membership ends.

13. Central European Free Trade Agreement (CEFTA) was concluded in 1992 by the Czech Republic, Slovakia, Poland and Hungary.

In 2006, after all the initial CEFTA-members became full members of the EU, the Agreement was revised and extended for membership to the countries of the Western Balkans – the Republic of North Macedonia, Albania, Bosnia and Herzegovina, Serbia, Moldova, Montenegro and Kosovo.

The main goals of the CEFTA Agreement are¹⁴

- Creating a **positive climate for attracting foreign direct investments (FDI)**,
- **Advancing the exchange of goods and services**,
- **Removing all barriers to trade** and facilitating the flow of goods in transit as well as goods and services exchanged within the territory of the Member-States.

Within the free flow of goods, **the Agreement explicitly bans the following:**

- **All quantitative restrictions on the import and export of goods.**¹⁵
- **All export duties, and**
- **In terms of import duties, balancing the rates is envisaged at the time of concluding the Agreement.**¹⁶

In terms of sanitary and phytosanitary measures, the Agreement contains guiding provisions for the application of relevant legislation within the framework of the World Trade Organization (WTO) – Agreement on Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade.

The initial **elimination of all quantitative and qualitative barriers to the flow of goods upon accession to the Agreement, immediately led to an increase in the level of trading goods between the Member-States.** According to statistical data, **the exchange of goods of the Republic of North Macedonia with other CEFTA-countries from 8 percent before the CEFTA-Agreement went up to 28 percent by the end of 2008.** Similar increase was observed in other members as well.¹⁷

14. CEFTA 2006 – Article 1.

15. Ibid, Article 3.

16. Ibid, Article 4 and 5.

17. Kikerkova, I. (2013), Trade liberalization under CEFTA-2006 - the challenge of elimination of non-trade barriers, Proceedings of the 9th International Conference on Economic Integrations, Competitiveness and Cooperation - Accession of the Western Balkan Countries to the European Union, University of Rijeka, Faculty of Economics, 2013.

This increase, however, was short-lived and in the following years the percentage of intra-CEFTA trade of goods began to decline. A series of events shaped this predicament – first the global economic crisis of 2008-2009, then the strained relations between Kosovo and Serbia as a result of Kosovo’s status in 2008, and finally the natural disasters that occurred on the territories of Serbia, Croatia and Bosnia and Herzegovina, significantly weakening the economies of the countries, and making them focus more on resolving the internal situations.

In the period 2012-2014, the Organization for Economic Cooperation and Development (OECD) also takes an active part in facilitating trade between CEFTA-members. OECD produced several reports aiming at detecting the bottlenecks and obstacles that prevent countries from achieving a greater degree of trade integration. In 2012, a report was published which identified the main non-tariff barriers, divided them into 3 categories:

- technical barriers;
- sanitary and phytosanitary measures; and
- administrative barriers.¹⁸

The most significant problems faced by the economic operators are **non-harmonized rules on the origin of goods, non-uniformed technical rules and standards that discriminate, long deadlines for inspection of goods and other formalities related to customs operations, lack of automated systems for import licenses, as well as non-compliance with obligations stemming from the international instruments**, which significantly impedes the flow of goods. The administrative barriers are also a significant problem such as **the lack of detailed and accurate information related to the procedures for import and export of goods, non-transparency of all costs and fees, as well as low level of processing of the border-crossings between the involved institutions.**



18. OECD, Elimination of Non-Tariff Barriers in CEFTA, CEFTA ISSUES PAPER 4, 2012, available at: <https://www.oecd.org/south-east-europe/programme/cefta4.pdf>.

19. The content of the Action Plan for the Establishment of a Regional Economic Area, adopted at the Trieste Summit, is available at: <https://berlinprocess.info/wp-content/uploads/2017/11/Consolidated-Multi-annual-Action-Plan-for-a-Regional-Economic-Area-in-the-Western-Balkans-Six.pdf>

3.1.1. Promotion of the free flow of goods within CEFTA

At the Trieste Summit within the Berlin Process, representatives of CEFTA-members decided to raise **the regional cooperation at the level of regional Economic Area no later than 2023**. In order to meet this goal, it was decided for the CEFTA-2006 Agreement to be supplemented with protocols, and Protocol 5 refers to the free movement of goods.¹⁹ **The implementation of the provisions of the Protocol, inter alia, should drastically reduce non-tariff barriers to achieve standardization in terms of customs operations and ensure transparency and efficiency of administrative processes.**

Protocol 5 aims to provide:²⁰

- Advancement of the principle of free movement of goods by eliminating customs formalities and reducing goods inspection procedures,
- Improvement of the cooperation between customs authorities and exchange of information in order to create risk management systems, and
- Establishment of a system for recognition of nationally Authorized Economic Operators (AEO).

In order to reduce red-tape in the flow of goods, it is necessary to:

- **Review all formalities and procedures so that the members can eliminate procedures that unnecessarily burden the process.**²¹
- **Determine the situations when Customs Administrations can carry out inspections instead of other agencies that regularly have such a competence.**²²
- **Start accepting electronic copies of documents required for customs procedures, especially when the original documents are in the possession of one of the national institutions involved in the customs procedures.**²³
- **Establish systems for advanced lodging that will initiate customs procedures before the goods reach the border-crossings.**²⁴

20. Protocol 5, CEFTA-2006 Agreement, Article 3.

21. Ibid, Article 8.

22. Ibid, Article 24.

23. Ibid, Article 8.

24. Ibid, Article 13.

In order to speed up the flow of goods, Member-States are **obliged to establish risk management systems** and consequently direct controls and inspections to high-risk shipments while letting the rest pass easily. In doing so, **the Customs Administrations are obliged to exchange information regarding their systems, and consequently assign contact-points in all institutions concerned.**²⁵

Another significant innovation provided in Protocol 5 is the mutual recognition of the Authorized Economic Operator (AEO) status of operators who have already acquired that status in a Member-State, provided that the economic operator meets the criteria set by the *EU-acquis*.²⁶

To achieve the set goal for the establishment of a Regional Economic Area by 2023, **the Protocol sets deadlines for fulfilling obligations by the Members-States.**

3.2. Other regional integration processes

The Republic of North Macedonia expresses its commitment to EU-membership through active participation in several integration processes and ideas for economic cooperation. **It is important to note that all these initiatives started after the creation of CEFTA, as well as the fact that most of them use the institutional infrastructure of CEFTA to achieve set goals.** To a large extent, these integration processes arise from each other or in some way, each subsequent initiative represents a transformation through modification of the previous one. **The most important processes in terms of free provision of services are the Berlin Process, the initiative for establishing Regional Economic Area (REA), the Common Regional Market, as well as the latest initiative called Open Balkans. Also important to note is that some of the processes - such as the Berlin Process - above all have a political dimension, while REA and the Common Regional Market complement CEFTA-2006, i.e., they aim to raise regional economic cooperation to a higher level. Open Balkans is a separate regional integration without a political consensus by all the Western Balkan countries.**

25. Ibid, Article 5.

26. Ibid, Article 26.

Berlin Process

Initiative for improving regional cooperation of the Western Balkan countries and securing support for their EU integration processes, launched 2014 under the auspices of Germany.

The Berlin Process encompasses:

- social dimension (for connecting citizens of Western Balkan countries);
- economic dimension (for accomplishing economic integration); and
- political dimension (for reaching consensus for unresolved issues).

Objectives of the Berlin Process are:

- advancing reform processes in the Western Balkan countries
- securing progress in resolving open bilateral and internal issues and contributing to reconciliation in and between the societies in the region; and
- strengthening regional economic cooperation and founding the pillars for sustainable growth.

Regional Economic Area (REA)

Presented in 2017 on the Trieste Summit.

Implemented through 4 areas:

1. trade, 4.2. investments, 4.3. mobility 4.4. digital integration,

Members are Western Balkan 6 - Serbia, Albania, North Macedonia, Bosnia and Herzegovina, Montenegro and Kosovo)

Common Regional Market (2021-2024)

Presented in 2020 on the Sofia Summit.

Envisages undertaking concrete actions in 4 areas:

- regional trade area (for free movement of goods, services, capital and persons);
- regional investment area (for attracting FDIs);
- regional digital area (integrated digital market); and
- regional industrial and development area (for development and integration of industrial sectors in value chains).

Members are Western Balkan 6 - Serbia, Albania, North Macedonia, Bosnia and Herzegovina, Montenegro and Kosovo

"Open Balkan"

Presented on the Economic Forum for Regional Cooperation in Skopje 2021.

The Schengen Zone model of the EU should be replicated and secure the removal of physical barriers.

An agreement for cooperation in 3 key areas was reached:

- joint actions and undertakings in cases of natural disasters and catastrophies;
- smooth movement of workers and recognition of qualifications; and
- securing smooth movement of goods.

Members are Serbia, Albania and North Macedonia.

Bosnia and Herzegovina, Montenegro and Kosovo oppose the idea, calling it an action not complementary with EU integration processes.

4. Free movement of goods in Republic of North Macedonia

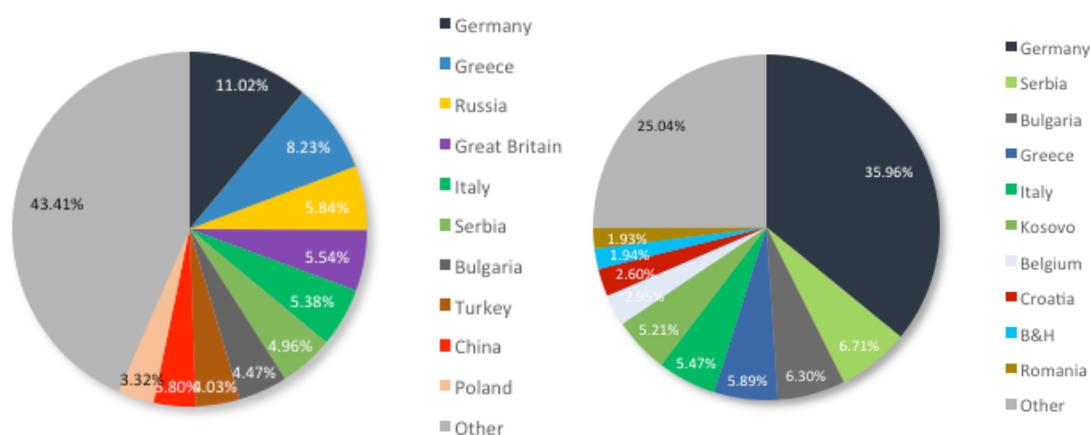
Since independence up to date, the Republic of North Macedonia remains committed to the EU integration processes. Despite the fact that the Republic of North Macedonia faced and is still facing obstacles, over the past decades the country has continuously demonstrated its determination to join the Union, through active participation in the integration processes, both in the EU and within the region.

In term of trading goods, statistics show that **Germany is the largest, most important trading partner of the Republic of North Macedonia**. In the period 2005-2019, **Germany's share in import is 11.02 percent** making it the only economy with a share over 10 percent.

On the export side, Germany is even more important, because the share is almost 36 percent, which indicates that a third of the goods from the Republic of North Macedonia are exported to this country.

Concerning imports, overall, in the period analyzed, in addition to Germany, **significant partners are Greece, Russia and the United Kingdom with a share of 5 percent**. On the export side, in addition to Germany, **significant partners are Serbia, Bulgaria, Greece, Italy and Kosovo**.

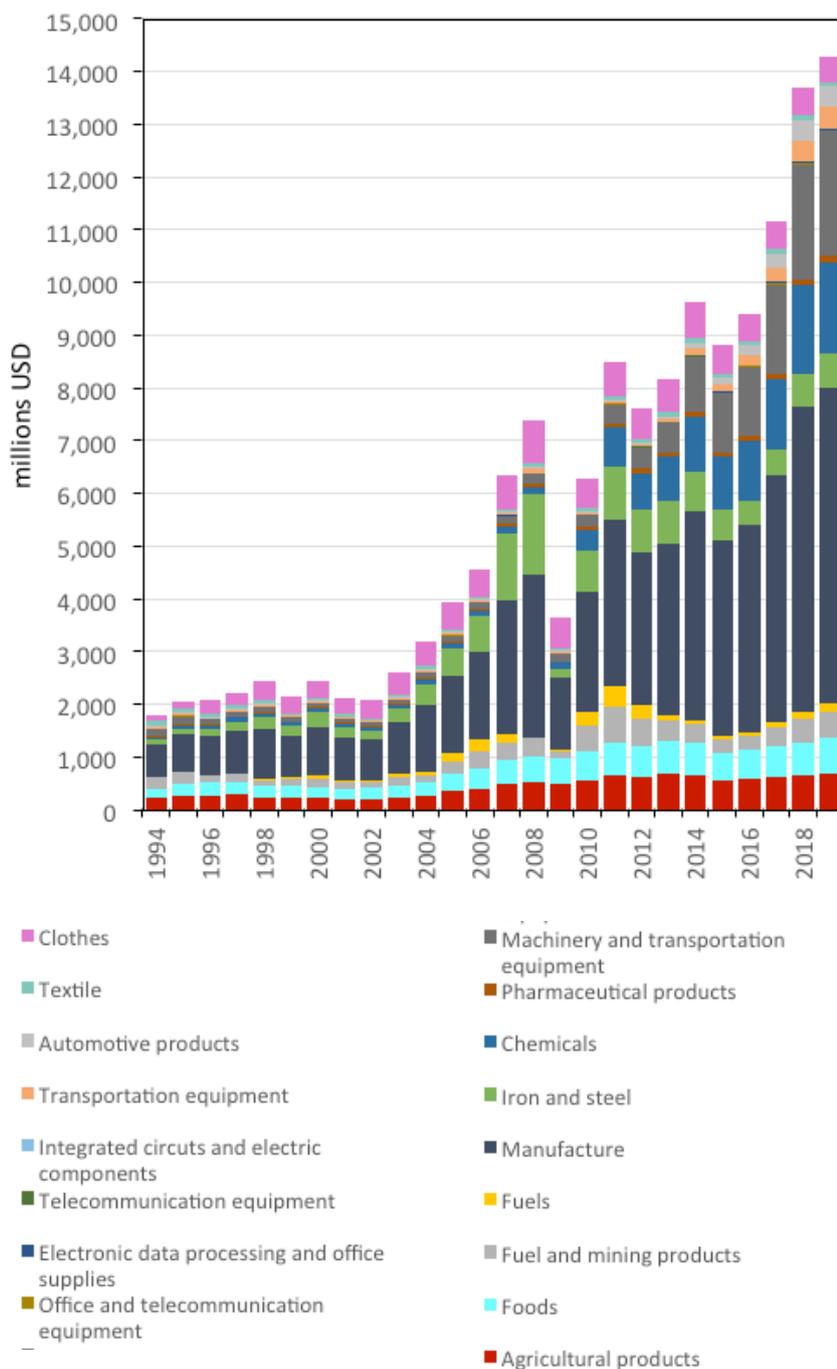
Graph 3 – Share in the total import and export of North Macedonia per trading partners, consolidated data (2005-2019)



Source: National Bank of the Republic of North Macedonia

Regarding the structure of goods exported from the Republic of North Macedonia, the most significant share in the value of exports has the manufacture of goods, followed by machinery and transportation equipment, chemicals, then iron and steel and agricultural products, foods, and textiles. Evidently, the categories of electronic data processing and office supplies, telecommunication equipment, as well as integrated circuits and electrical components have an almost negligible share

Graph 4 – Export of goods by category from North Macedonia, annual data in millions of dollars (1994-2019)



Source: World Trade Organization

4.1. Free movement of goods within the EU accession negotiations

Regarding the process of EU integration, the chronology of the Republic of North Macedonia is the following:

- 04.2001 – Signed the **Stabilization and Association Agreement (SAA)**.
- 03.2004 – The Government of the RNM **applied for EU-membership**.
- 12.2005 – At the Brussels Summit, the European Council decided to grant **the status of EU membership candidate-country** to the Republic of North Macedonia.
- 03.2009 – The European Parliament adopted a Resolution **proposing the start of EU-membership talks**.
- 06.2018 – The Council of the European Union adopted **conclusions on setting a date for start of accession negotiations in June 2019**. At the same time, **the implementation of the first phase of the screening process for accession** to the European Union was approved.

The free flow of goods is one of the most important foundations of EU internal market, hence it is one of the most significant prerequisites for accession to the Union. The general obligations regarding the accession of the Republic of North Macedonia to the EU are provided in the Stabilization and Association Agreement (SSA). Regarding the free movement of goods, Article 15 of the SAA is most relevant according to which:²⁷

- **The EU and the Republic of North Macedonia shall undertake to establish a free trade zone for a maximum period of 10 years,**
- The free trade area shall be in accordance with the WTO and GATT provisions from 1994.
- Custom rates for each product in mutual trade shall be those applicable ***erga omnes*** on the day prior to the signing of the SAA (their freezing will be regulated, and they will be applicable until reduced ***erga omnes*** or as a result of negotiations within the WTO).

27. Stabilization and Association Agreement (SAA), Article 15.

The criteria to be met in relation to the principle of free movement of goods is provided in the first chapter of the EU accession negotiations. The first chapter deals with the free movement of goods, covers the technical regulations governing of the quality infrastructure reflected through:

- Standardization;
- Accreditation;
- Metrology;
- Conformity Assessment; and
- Market surveillance.

In anticipation of a decision to finally start negotiations - which in recent years was postponed due to the name dispute with Greece - the issue of unbundling Albania and lately history dispute with Bulgaria, the Republic of North Macedonia has been receiving positive reports and recommendations to start EU accession negotiations since 2009. The annual reports of the European Commission are referring, *inter alia*, to the progress of the countries made in each of the 33 chapters of the **EU-acquis**, including the principle of freedom of movement of goods. The annual reports from 2006 to 2020 are available on the website of the Parliament of the RNM, as well as on the website of the Secretariat for European Affairs.²⁸

Recent reports point out several important notes regarding the free movement of goods:

- The country shows **continuous progress** and is **moderately prepared** in the area of free movement of goods since 2006. A significant problem is the fact that the period 2016-2020 is a period of stagnation, so the same notes and recommendations for progress are constantly repeated.
- Some progress was made in the area of standardization.
- Significant efforts must be invested to remove non-tariff barriers to trade. Non-tariff barriers are a major obstacle, not only to the EU, but also to regional integration processes.
- Finally harmonize national legislation with the General Product Safety Directive.
- Provide adequate institutional capacity for consistent implementation of **EU-acquis** so that transposition is not reduced to mere translation and rewriting of legal texts.

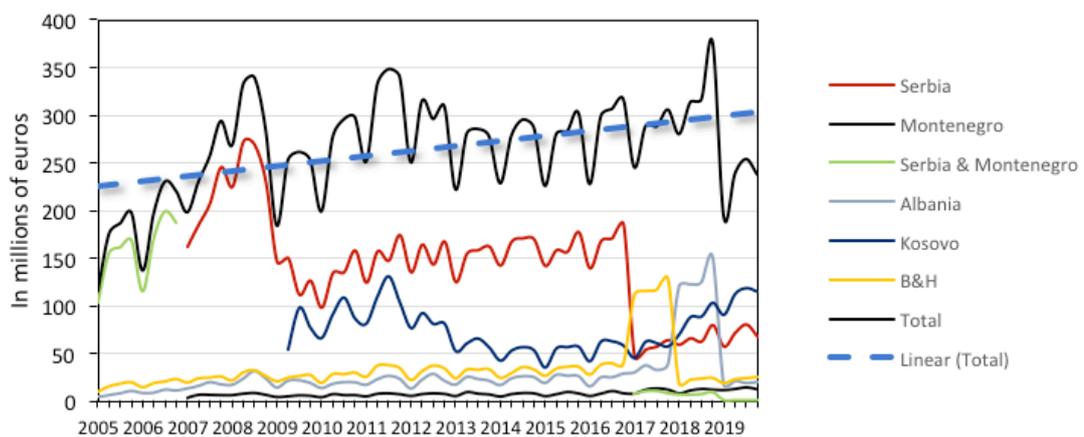
28. Documents EU – Republic of North Macedonia, available at: <https://www.sobranie.mk/dokumenti-rm-eu-cbb3490c-fe7d-4750-82f4-67c619c46a6a.nspx>; The last report on the European Commission, available at: <https://www.sep.gov.mk/post/?id=5657#.YVGG8Ry8RpQI>

4.2. Free movement of goods in regional integration processes

Regional integration processes aim to prepare the countries aspiring to join the EU. In terms of CEFTA, there are no dilemmas that all the countries have the same opinion and unanimously express their will to accept and implement the provisions of the CEFTA – 2006 Agreement. Unlike CEFTA and other regional integrations, the latest initiative of Serbia, North Macedonia and Albania called “Open Balkans” was accepted by the other countries in the region with a dose of skepticism and disapproval.

In recent years, CEFTA’s focus was primarily put on trade facilitation to ensure fast and efficient flow of goods between the Member-States.

Graph 5 – Total trade exchange in millions of Euros with the Western Balkan countries, quarterly data (2005-2019)



Source: National Bank of Republic of North Macedonia

In terms of CEFTA, implementation and assuming obligations is reflected in the level of mutual integration in the markets of the Member-States. Statistical data indicates that the Republic of North Macedonia has a relatively low level of trade with the Western Balkan countries. The most significant trade partners in the region are Serbia and Kosovo, while with Montenegro, Bosnia and Herzegovina and Albania, the country has almost insignificant trade of goods. In the period 2016-2018, the growth in trade with Bosnia and Herzegovina and Albania, was evident but it was just a short-term trend. The general conclusion is that the country is much better integrated with EU countries (Germany, Italy, Greece), than with the countries in the region.

The problems detected by the European Commission regarding the non-tariff barriers are a major problem in the exchange of goods within CEFTA, preventing a higher degree of integration between the Western Balkan countries. This was identified in the reports 2012 and 2013, and a study was conducted in collaboration with the OECD to detect these barriers as to remove them through joint efforts. The removal of non-tariff barriers was one of the main goals for the adoption of Protocol 5 aiming to increase cooperation between competent institutions involved in the process of trading goods, and to facilitate the administrative processes related to customs formalities in the flow of goods.

The fact that the same issues stand out as a major obstacle in the reports of the European Commission in 2020 as well, indicate that no significant progress has been made in this area. It is important, however, to note that the unilateral removal of non-tariff barriers is difficult because the customs system function as a pieces of a puzzle, and in order to achieve progress commitment and undertaking activities by the customs administrations in all physical connected territories is required – otherwise the efforts and commitments of one country without adequate support from the neighbours remain futile.

In terms of free flow within the region, significant progress is made with the establishment of the Regional Economic Area, where primarily CEFTA-member from the Western Balkans (WB6) take part. In 2020, within REA, green corridors were created and initially established in response to the COVID-19 epidemic to prevent shortage of essential goods and medical supplies. These green corridors provide for a simpler and faster flow of goods classified as essentials. The list of essential goods is available on the website of the CEFTA Secretariat, which is occasionally renewed and updated.²⁹ According to the statistics, as many as 80 percent of the trucks use these green corridors, and around 20 percent of all shipments are transporting essential goods.³⁰

In 2021, as a result of the successful test of the green corridors in trade and transport of essential goods, the idea to connect the green corridors was promoted by the CEFTA Secretariat to the border-crossings of WB6 – which are EU members. The aim is to enable a more efficient connection with the EU and to facilitate significantly faster flow of goods thereby reducing the time of waiting at border-crossings. At the moment, this initiative is at the level of an idea that needs to be finalized in the upcoming period.

29. CEFTA Secretariat, List of essential goods, available at: <https://cefta.int/cefta-list-of-essential-goods/> (visited on 7.9.2021).

30. Statistics on the flow of goods within CEFTA, available at: <https://statistics.cefta.int/green-corridors> (visited on 7.9.2021).

5. Concluding remarks

Securing free flow of goods is one of the main priorities of any country that aspires to become European Union member, as well as any country that wants to ensure continuity in the economic growth and development. Therefore, it is extremely important to connect the economy with the EU and the countries from the region. In past decades, since independence up to date, the country is in a continuous process of integration at the level of EU and at regional level.

Looking at the trajectory of the country in terms of implementation of the **EU-acquis**, it is evident that in the free movement of goods there is continuous progress and that the State is moderately prepared. However, in certain periods continuity seems to be lacking, thereby the recommendations are repeated.

Within the regional integration processes, the problems are divided into 2 groups. The first group includes the issue of inequality in the economic, legal, and overall institutional capacities of the Western Balkan countries. The different degree of the integration process into the EU acts as an obstacle to higher degree of regional integration. The countries ahead in the processes have a problem to successfully connect with the countries that are in the beginning of the integration processes. The problems caused by the political situation constitute the second group of issues in the region. In situations where unanimous political will among the highest representatives of the countries is present, visible progress in the processes is visible, and yet, no continuity can be noted. When there is a political conflict, it is reflected through blockades and impacts economic processes. The customs war sparked by the inability to resolve the differences in Kosovo-Serbia negotiations, as well as the separate responses in regard to the latest initiative “Open Balkans” are the best indicator.



6. Recommendations

In the forthcoming period, the Republic of North Macedonia should continue investing efforts to achieve a greater degree of liberalization of goods and to progress in the integration processes, at both EU and regional level. Recommendation for the next period for the Republic of North Macedonia stem from all the above-mentioned and can be divided into two parts – **recommendations on the country's integration into the EU and recommendations on regional integrations**, irrespective of the fact that the two processes are complementary.

Recommendations on regional integration

Focus on specific initiatives with clearly defined goals. The goals of many regional initiatives are intertwined, meaning rethinking and operationalizing activities would lead to greater success. Many of the requirements set in the regional agreements and plans are identical to the requirements set in the *EU-acquis* or in the other regional integration processes. **Hence, main short term recommendations are:**

- **Eliminating non-tariff barriers.** As in the case of EU, this should be top priority in terms of regional processes. It is necessary to fully implement Protocol 5 of the CEFTA-2006 Agreement, because the provisions aim precisely at eliminating non-tariff barriers to trade. More specifically, it is necessary to:
 - revise inspections, controls on the flow of goods at border-crossings;
 - provide joint controls in order to reduce times of waiting;
 - provide a system of smooth communication between all involved institutions (Customs Administration, Ministry of Interior, Food Agency, SMI, SSHI, etc.), as well as a system for communication with the competent institutions from other countries in the region;
 - establish a risk management system for the flow of shipment at border-crossings and exchange of information between customs administrations in the region to better assess high-risk shipments;
 - implement the programmes for mutual recognition of authorized economic operator status at regional level;
 - regularly publish relevant data on cross-border movement of goods, that should be available in English along with other languages, and published on a single portal.

On the long run, it is necessary to establish an institutional structure for successful implementation of requirements of the integration processes in all Western Balkan countries.

- Strengthening human capacities in the institutions for more efficient implementation of the requirements of institutional integrations.

- Ongoing cooperation between competent institutions in all Western Balkan countries through joint trainings and seminars to achieve a higher level of harmonization, and to share mutual experience and practices that will encourage the countries lagging behind in the integration process to step up and participate more actively.
- Bigger investments in ICT for a safer and more efficient communication system between all relevant institutions.

Recommendations on EU integration

Continuity in implementing the *EU-acquis*. Although the reports of the European Commission show that the country is making progress and is moderately prepared for free movement of goods, such progress is not constant. The 2016 recommendations go back several years. Therefore, recommendations that need to be **implemented as soon as possible**, are the following:

- Eliminate non-tariff trade barriers; this is top priority of the country because it is an obstacle to both regional and EU integration.
- First of all, it is necessary to publish all data related to the processes of free movement of goods in a transparent manner.
- This includes the adoption of international standards in terms of features of the goods, as well as accreditation standards, publication of all the administrative procedures and deadlines required for import and export of goods, publication of all specifications, procedures and duties related to trading goods.
- All information must be available in English, and it is recommended to create a single portal so that all the data can be accessed.
- It is necessary to implement the programme for recognition of authorized economic operator status.
- Implement the General Product Safety Directive.

In this regard, it is necessary to note that the customs systems function as part of a puzzle, therefore, to achieve progress it is necessary for the customs administrations in all physically connected territories to commit and undertake activities – otherwise the efforts and commitment of one country are futile without adequate support from the neighbours. The recommendations for standardization in terms of customs operations are emphasized, especially to ensure transparency and efficiency of administrative processes – digitalization of the exchange of documents and information, transparent publication of fees and costs, harmonization of inspections, risk management, etc.

The implementation of the **EU-acquis** should not be seen only as a process of adopting and translating legal texts. The process must be accompanied by institutional capacity-building which will fulfill the obligations from the **EU-acquis**. The implementation of the legislation means consistent application of the rules and principles established in the founding treaties, regulations and directives, including the case law of the EU. Hence, recommendations in the long run are the following:

- Establishment of an institutional structure for a successful implementation of **EU-acquis** and setting up contact points within relevant institutions in charge of coordination of the integration processes. These contact-points are particularly important to communicate with the relevant EU institutions and with EU Member-States to ensure an efficient implementation.
- Strengthening the capacities of the bodies in charge of supervising the implementation of regulations such as various state inspectorates.
- Strengthening the human capacities in the institutions to implement the requirements more efficiently within institutional integrations.

Conducting and publishing regular analyses on the practical implementation of the legislation and undertaken obligations.



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