

Free movement of the services



Policy paper

Free Movement of Services

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1. Introduction

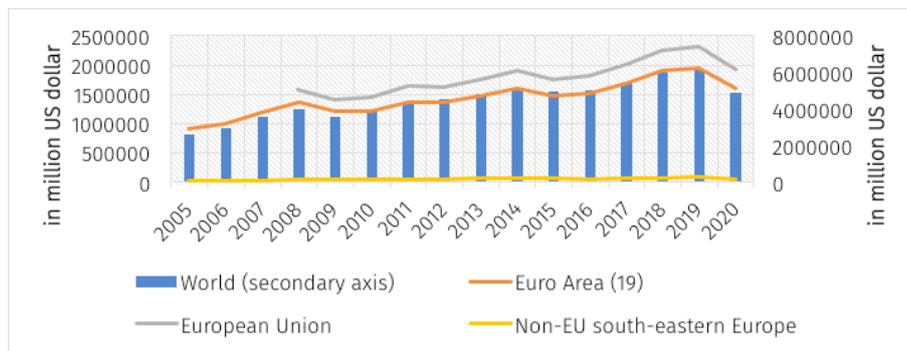
Subject of the analysis of this public policy paper is the free provision of services. The free provision of services is quite significant for the economic development of country, thus its analysis within the framework of the EU and regional integration. The paper lays out the current state of affairs of the free movement of services principle in the Republic of North Macedonia.



2. Free provision of services within the EU

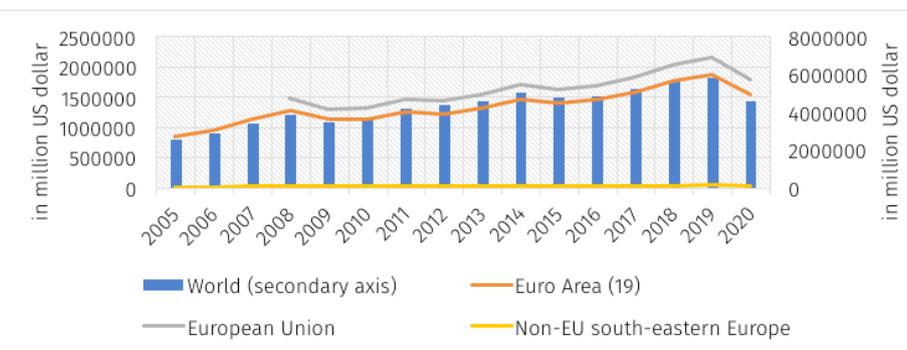
The free provision of services within the EU is one of the most important principles on which the internal market is based on. Free provision of services within EU internal market includes the right of establishment of enterprises on the territories of other Member-States. EU service sectors have enormous consequence for the economies of the Member-States. According to statistical data, EU in general has a significant share in the trading of services on global level.

Graph 1: Global export of services 2005-2020



Source: wto.data.org

Graph 2: Global export of services 2005-2020



Source: wto.data.org

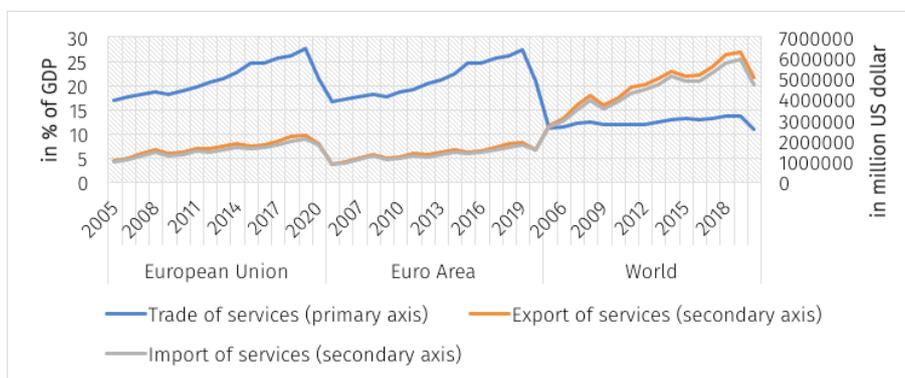
The statistics indicate that the **European Union participates with approximately a quarter of the value of traded services in the World**, with marginal differences in the import and export percentages of services. Evidently, in that statistics, **the share of the Eurozone States (EU19) is dominant**, while the other 8 countries outside the Eurozone have an insignificant share in the value of traded services.

South-East European countries outside the Union are far behind the EU with marginal values. This pinpoints that the latest EU Member-States from 2008, as well as those that want to become EU Member-States soon need to accomplish substantial progress and integrate their economies – in terms of services – to reach the EU19 average.

From a global point of view, free provision of services was felt as less important compared to the free movement of goods. The services became more significant in the last few decades as a result of the development and widespread use of the Internet and other technologies.

On the one hand the statics above shows the increase of the total value of traded services, but on the other hand, it illustrates the growth of the percentage share of services in the GDP on the level of the European Union, Eurozone and the World. Evidently, since 2005, linear growth is indicated in both categories until 2019, followed by

Graph 3: Trade, import and export of services – EU, Eurozone and the World



Source: wto.data.org

a dramatic decrease noticeably from the global pandemic caused by the COVID-19 virus. Another important data is that within the framework of the European Union and the Eurozone, services participate in the GDP with a percentage from 17 to 27%, while the percentage on global level is between 11 and 14 percent. This stresses the fact that within the framework of the EU, services have a meaningful share on economic development.

On global level as well, within the framework of GATT as the predecessor of the World Trade Organisation (WTO), **services gained significance in 1995 with the adoption of GATS (General Agreement on Trade in Services)**, almost 50 years after the General Agreement on Tariffs and Trade.

GATS includes the categorization of services which is generally accepted:¹

- Services provided when the beneficiary goes to another member-state to receive the service (Cross-border trade);
- Services provided when the provider goes to another member-state to benefit from the service there (Consumption abroad);
- Services provided without movement of the provider or the beneficiary of the service (Commercial presence);
- Services provided through commercial presence on foreign markets from natural or legal persons (Presence of natural persons).

This classification is also accepted within the framework of the EU, with the only difference that the first three categories constitute the principle of free provision of services, while the last category is within the framework of the right of establishment.

What is the difference between the freedom to provide services and the right of establishment?

- The difference between the freedom to provide services and the right of establishment is in the manner of providing the services.
- Right of establishment implies sustainable provision of services by establishing an entity in a Member-State outside of the country the subject is domicile, while the **right to provide services implies temporal rendering services** outside the territory where the entity is registered for undertaking the activity.

1. General Agreement on Trade in Services (GATS), Article 1

How to distinguish between the freedom for providing services and the freedom of movement of workers?

- The difference between the freedom to provide services and the right of establishment is in the manner of providing the services.
- Right of establishment implies sustainable provision of services by establishing an entity in a Member-State outside of the country the subject is domicile, while the **right to provide services implies temporal rendering services** outside the territory where the entity is registered for undertaking the activity.

Services are defined as undertaking various activities that are not forbidden by law and for which an appropriate remuneration is in order. Within the framework of the EU, services are defined simply as activities that do not belong to any of the other three freedoms. Such negative approach indicates the vast diversification of types of services unlike goods. Subsequently, the legislation related to the services is quite large.

2.1. Freedom of providing services as one of the four freedoms within the framework of EU Internal Market

Free movement of goods, services, persons and capital (known as the four freedoms of the EU) is based on the Internal Market of the Union.² As such, they have been defined in the founding treaties of the EU. The Treaty on the Functioning of the EU (TFEU) contains several provisions that can be placed into 2 groups – provisions related to the right of establishment (Article 49 and 54) and the provisions related to the movement of services (Article 56 to 62).

2. Treaty on the Functioning of the European Union (TFEU), Article 26(2).

The right of establishment:

- Forbids all limitations for opening enterprises, companies, representations, subsidiaries or offices of residents (natural persons) on the territory of any other Member-State.³
- Enterprises established in accordance with the laws of the Member-States, registered on these territories are treated the same way as natural persons (with the exception of rights that can be enjoyed by natural persons only).⁴
- The status of the enterprises is acquired and regulated according to the national law of the country where it belongs to, because in terms of Company Law, the level of harmonization within the EU is limited only to certain aspects.

The right of free provision of services, TFEU:

- Explicitly forbids the restrictions of providing services on the territories of the Member-States by residents whose seat is located in other Member-States.⁵
- Contains a definition of what constitutes a service, and contains an unexhausted list of categories of services – activities of industrial nature; of trading nature; crafts activities; and activities of the free professions.⁶
- Provides for industries that these rules do not apply to, that are regulated with special rules in terms of – transport as well as banking and insurance services, related to movement of capital, subject to the provisions related to the liberalization of the movement of capital.⁷
- Provides for a mechanism for further detailed regulation of rules through secondary legislation (Regulations and Directives).⁸

TFEU sets the fundamentals of the system for accomplishing liberalization of the services and the right of establishment in a general manner. The main part of the *EU acquis* consists of sources of secondary legislation. A review of the most significant secondary sources in regards to the right of establishment and the freedom to provide services follows.

3. TFEU, Article 49.
 4. TFEU, Article 54.
 5. TFEU, Article 56.
 6. TFEU, Article 57.
 7. TFEU, Article 58.
 8. TFEU, Article 59.

The following Directives and Regulations are deemed as the most significant sources of secondary legislation of the EU:

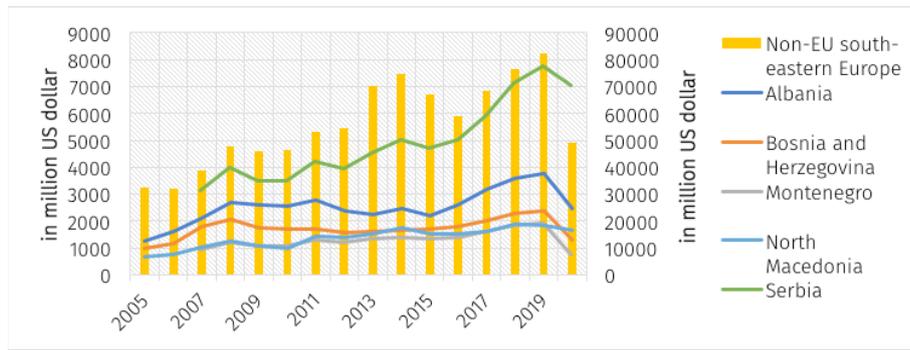
- Service Directive (Directive 2006/123/EC);
- Directive on recognition of professional qualifications (Directive 2013/55/EC); and
- Group of Directives and Regulations related to the right of establishment harmonizing specific aspects of EU Company Law such as:
 - o Regulation 2157/2001 regulating the Statute for a trading entity - European Company (SE – Societas Europaea);
 - o Regulation 2021/1042 integrating national registers of the Member-States; and
 - o Directive (EU) 2017/132 covering certain aspects of EU Company Law, which substituted to a large extent individual Directives that regulated each of these issues in a separate way.

3. Freedom of providing services within the Western Balkans

In the last decades, on global level, regional integration and multilateral agreements aiming at achieving greater and more stable economic growth of the Member-States are more popular than ever. The European Union proved to be a successful model of economic integration therefore efforts are made to replicate it on regional level as to accomplish economic benefits.

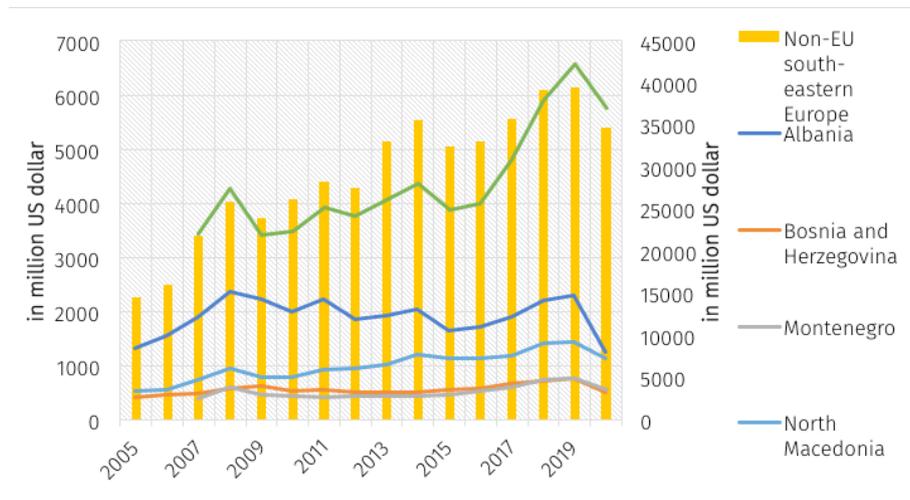
Several integration processes are ongoing on the level of the Western Balkans. Apart from striving to achieve economic growth and development of the region, they can also serve as a forum for overcoming years-long conflicts of the region and for closing unresolved political and historical issues. From the entire territory of the Balkan Peninsula (with the exception of Greece as an EU Member-State since 1981), Member-States of the EU are also Bulgaria, Romania (since 2007 as part of the sixth wave of enlargement) and Croatia (since 2013 as part of the seventh and last wave of enlargement). The rest of the countries have started the EU rapprochement process, but they are at different phases of integration.

Graph 4 - Export of services of Western Balkan countries (2005-2020)



Source: wto.data.org

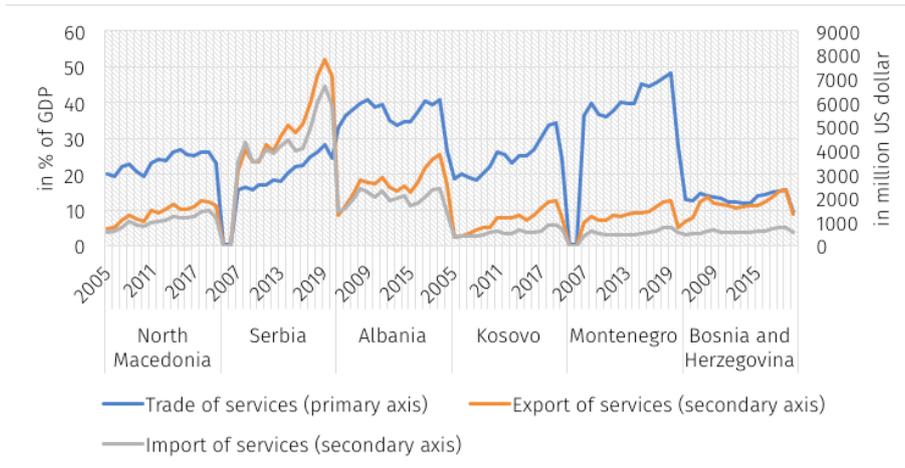
Graph 5 - Import of services of Western Balkan countries (2005-2020)



Source: wto.data.org

Evidently, the statistical data indicates that in absolute amounts in terms of the trading value of services, the Western Balkan countries are significantly lagging behind the EUMS. **The total value of trading services of Western Balkan countries is just a fraction of the value of trading services of the EU Member-States.** From these countries, **Serbia is the leader where the value of trading services is several times larger than that of the other countries.** Albania and North Macedonia follow, while Bosnia and Herzegovina are at the bottom of the list. What is significant – as in global case – the Western Balkan countries show a rising tendency of trading services which, unfortunately was disrupted by the pandemic caused by COVID-19.

Graph 6 - Trading services and percentage of services from GDP of Western Balkan countries

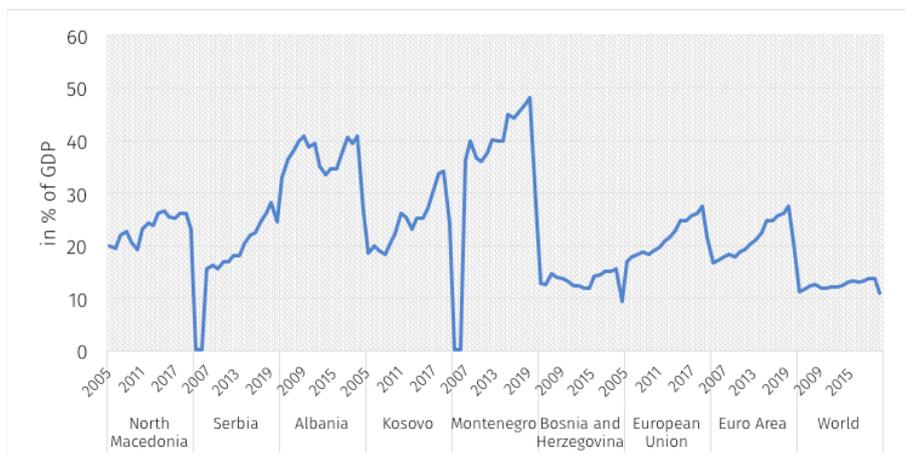


Source: wto.data.org

Graph 6 pinpoints to the conclusions that in terms of total value of trading services, Serbia is the absolute leader in the region. However, if one takes into consideration the share of trading services as a percentage of GDP of the countries, a different outlook becomes obvious – according to the parameters, Montenegro is a country with the largest share, and the services participate with 40 to 50 percent in the GDP. Albania follows with a share of the services in GDP of 30 to 40 percent, then Kosovo with 20 to 35 percent and North Macedonia with 20 to 25 percent. Serbia and Bosnia and Herzegovina are countries with the lowest share of services in their GDP – below 20 percent.

If the percentage share of trading services in the GDP is analyzed only, then one can conclude that the Western Balkan countries are above the global average or within the average of the European Union and the Eurozone. Montenegro and Albania are far above average, while the rest of the countries are within the average level of the EU and Eurozone, with the exception of Bosnia and Herzegovina. Nevertheless, Bosnia and Herzegovina is above average on global level.

Graph 7 - Percentage share of trading services in GDP of selected economies



Source: wto.data.org

This proves that the service sectors in these countries have a potential and that they are contributing to the economic development even in this particular time. What is important however, is the fact that the **absolute value of trading services is significantly lower, pointing out to the generally lower level of economic development in these countries.** Statistics shows that economic integration leads to economic development. Hence, to improve the economic situation, it is necessary to advance the integration processes.

The aim of regional integration is to enable the countries faster implementation of the requirements stemming from full EU-membership and as such act as a preparational step on the path to the Union. For that purpose, basic requirement of these integrations is the establishment of the 4 freedoms. The most significant form of economic integration is CEFTA that from a historical viewpoint is the initial step of associating the Republic of North Macedonia.

3.1. Magnitude of CEFTA-2006 on liberalization of services on the Western Balkans

The Central European Free Trade Agreement was initially concluded between the countries of Central Europe in the post-Soviet period.⁹ **The purpose of CEFTA is to serve as a preparational step for the Member-States in the EU integration process. Members of CEFTA are countries that strive towards full EU membership and when they fulfill the EU-accession requirements, their CEFTA membership will cease.**

In 2006 after all initial CEFTA members became EU Member-States, the Agreement was revised and it was decided to expand membership to the Balkan countries – the Republic of North Macedonia, Albania, Bosnia and Herzegovina, Serbia, Moldova, Montenegro and UNMIK on behalf of Kosovo signed the CEFTA-2006 Agreement.

The objectives of CEFTA-2006 Agreement are:¹⁰

- Creating a positive climate for attracting foreign direct investments (FDIs),
- Advancing the exchange of goods and services,
- Dismantling all barriers to trade and
- Facilitating the flow of goods in transit as well as goods and services exchanging within the framework of the territory of the Member-States.

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

10. CEFTA – 2006 – Article 1.

CEFTA-2006 Agreement provides for regional economic integration by means of securing free movement of goods, while services were left aside. The CEFTA Agreement signed in 2006, treated services as “new trade issues”¹¹. Subsequently, the Agreement envisaged in general terms that the Member-States need to strive to advance liberalization of service markets, including electronic trade, and that the provisions of the General Agreement on Trading Services (GATS) will govern such initiatives. **However, with the last amendments to the Agreement dated 2017, the advancement of the freedom of providing services was included.**

3.1.1. Advancing free movement of services within the framework of CEFTA

Within the framework of the Berlin Process, as an initiative for advancing regional cooperation of the Western Balkan countries and securing assistance for their EU integration processes, **in 2017, on the Trieste Summit**, high-level governmental representatives of the Western Balkan countries presented the idea for **creating regional economic area that should be fully operational until 2023**. The freedom of provision of goods and services is envisaged within the framework of the Regional Economic Area. For that purpose, as part of the Summit, the idea for the Additional Protocol 6 to the CEFTA-2006 Agreement covering the trade of services was voted in favour.

Regarding the categorization of the types of services, Protocol 6 provides for the same categorization as that provided for in GATS and in the **EU acquis**. The Protocol forbids limitation, in terms of types of services, number of persons rendering services, value of the transactions, quantity of capital or imposing conditions for securing specific services through certain kinds of entities or associations.¹² The Protocol incorporates the national treatment principle, according to which persons from other Member-States, on the territory of the rest of the Member-States must be treated the same way like the persons in the country where they provide the services i.e., conditions should not be assigned to these persons different than those envisaged for the domestic persons.¹³

In terms of all **procedures and rules related to the provision of services**, Member-States are **obligated to be transparent** and to publish them accordingly, as well as to **recognize qualifications, licenses and certificates of persons from other Member-States on the basis of an independent statement, bilateral or multilateral agreement**.¹⁴

11. Ibid, Articles 26-29.

12. CEFTA 2006, Protocol 6, Article 4.

13. Ibid, Article 5.

14. Ibid, Article 11.

Protocol 6 envisages the exceptions from the general rule on prohibition of limitations that could be imposed for the purpose of:

- Protection of public order;
- Protection of the life of persons, environment and public health;
- Protection from illegal actions and practices that can lead to abuse of personal data as well as;¹⁵
- Protection of security.¹⁶

Protocol 6 imposes **obligations to the sides to cooperate in order to advance electronic trade as well as to comply with the highest standards of data protection**. More specifically, the sides are obliged to maintain dialogue related to the regulatory aspects connected to: mutual recognition of certificates for electronic signatures, responsibility of intermediaries related to transferring and keeping data, treatment of undesired forms of electronic communication, as well as consumer protection within the framework of electronic trade process.¹⁷

3.2. Other regional integration processes

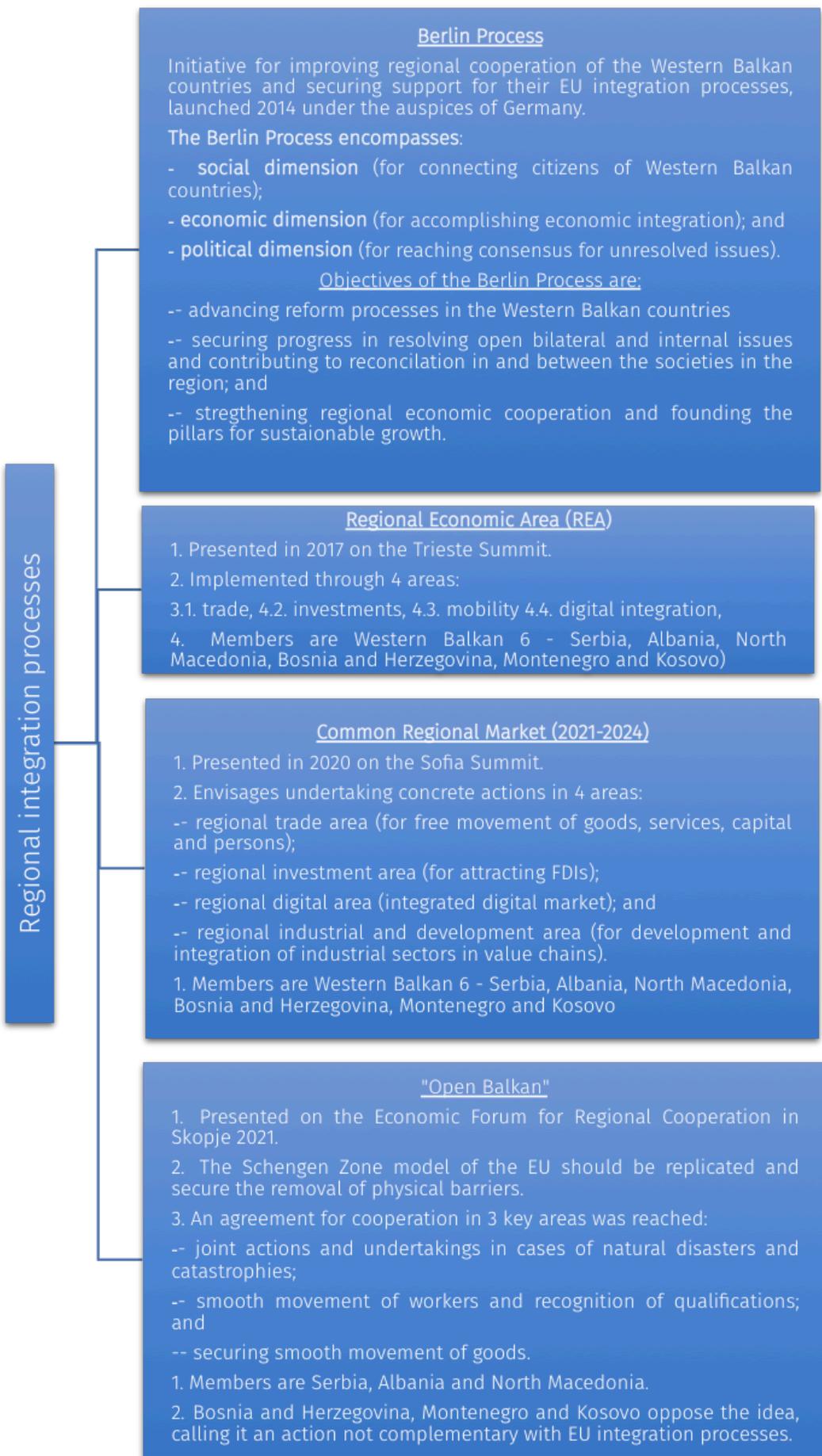
Apart from the integration process within the framework of CEFTA, the Republic of North Macedonia manifested its dedication to EU-membership through active participation in several initiatives and ideas of regional integration and economic cooperation. It is important to stress the fact that all initiatives were launched after the creation of CEFTA as well as the fact that most of them use the institutional infrastructure of CEFTA to accomplish the envisaged objectives.

In most cases these integration processes intertwine, stem from each other or, in one way or another, every upcoming initiative is a transformation of the previous one with specific modifications. As most significant processes in terms of the freedom for providing services are the Berlin Process (above all with its political dimension), the initiative for establishing the Regional Economic Area (REA), the Common Regional Market as well as the latest initiative called **Open Balkans**. A schematic outlook of these integration processes along with their most important characteristics follows below. The role, significance and status of the Republic of North Macedonia within the framework of these integration processes will be further analyzed in point 4.2.

15. Ibid, Article 16.

16. Ibid, Article 17.

17. Ibid, Article 18.

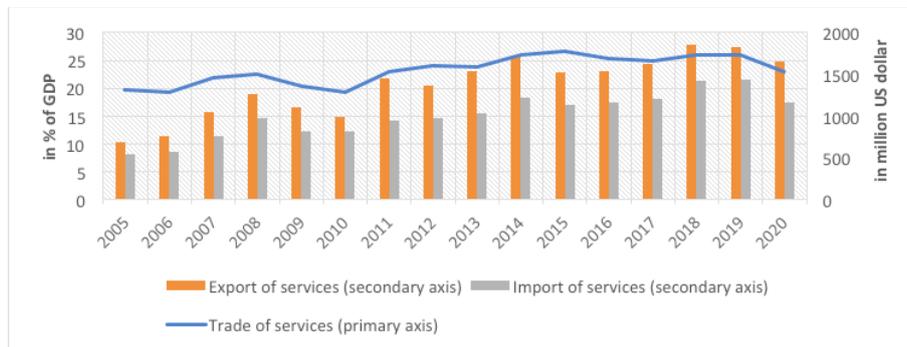


4. Freedom to provide services in the Republic of North Macedonia

Since its independence up to date, the Republic of North Macedonia remains dedicated to the EU integration process and to becoming a fully-fledged member of the European Union. Although the Republic of North Macedonia faced - and is still facing - obstacles on its way to the EU, the country continuously proved its determination for EU accession through active participation in the integration processes both within the EU and within the region in the last decades.

Statistical data points out to the fact that **in terms of the significance of the services for the GDP of the Republic of North Macedonia, in the period 2005-2020, the share of trading services is 20–28 percent of the total GDP of the country.** Such a percentage share is within the framework of EU average and above average on global level.

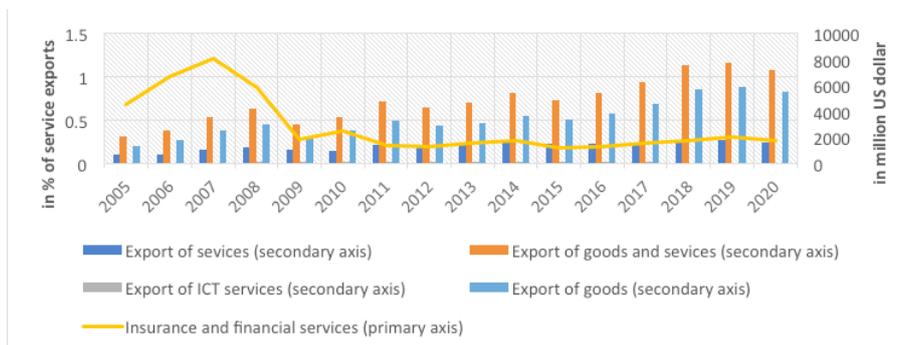
Graph 8: Import-Export of services – Republic of North Macedonia



Source: World Bank

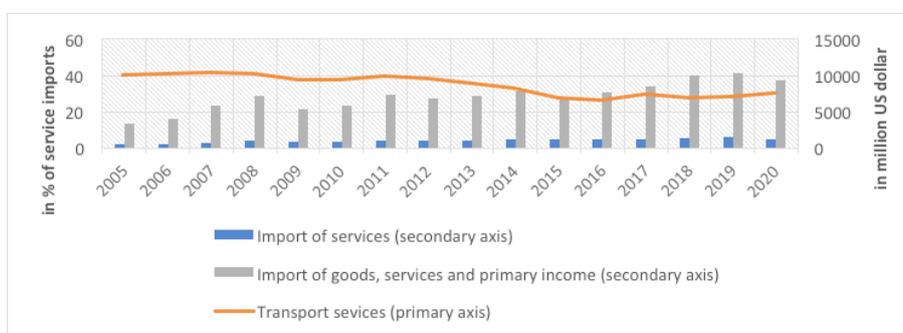
Regarding the ratio of goods and services, evidently the trade of goods has a larger share in the overall trade exchange. However, this also reflects the trends on global level and, to a certain extent, shows why the focus of the countries is, above all, on liberalization of the process of exchange of goods.

Graph 9: Export of goods and services
– Republic of North Macedonia



Source: World Bank

Graph 10: Import of goods and services
– Republic of North Macedonia



Source: World Bank

In terms of structure of trading services, evidently on the part of import, transportation services are most dominant, with almost 40 percent share of the total number of imported services. Regarding export, it is important to note that the share of ICT services is almost insignificant.

4.1. Freedom to provide services within the framework of EU accession talks

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

- 04.2001 – The Stabilisation and Association Agreement (SAA) was signed.
- 03.2004 – The Government of RNM submitted an EU membership application.
- 12.2005 – Brussels Summit, the European Council decided the Republic of North Macedonia to acquire the status of candidate-country for EU membership.
- 03.2009 – European Parliament adopted a Resolution proposing start of EU accession talks.
- 06.2018 – The Council of the European Union adopted Conclusions for determining a date for starting EU accession talks in June 2019. At the same time, the implementation of the first phase of the screening process for accession within the European Union.

The freedom to provide services and the right of establishment are pillars of EU Internal Market, thus part of the most important prerequisites for EU-membership. **General obligations for EU membership for the Republic of North Macedonia are laid out in Stabilisation and Association Agreement (SAA).** In terms of the freedom to providing services and the right of establishment, most relevant are Articles 52, 55, 56 and 57.

- Article 52 refers to the **measures for recognition of qualifications of citizens of the RN Macedonia in the EU.**
- Article 55 **regulates the procedure of liberalization of the market of services** which goes through 2 phases – first to allow temporal movements of natural persons rendering services or citizens who request temporal entry for the purpose of negotiating sales of services or concluding an agreement for selling services to the service-provider, followed by the second phase when progressive liberalization of services offered by natural or legal persons is envisaged.
- Article 56 provides for **prohibition of more restrictive conditions for providing services compared to the situation when the SAA went into force.**
- Article 57 refers to **regulating services in the field of transportation.**

The criteria that need to be fulfilled in terms of the principle of free provision of services and the right of establishment are determined in the **third chapter of the Union accession talks**. The **third chapter specifically includes:**

- **Removing legal and administrative barriers in the development of service industries between Member-States;** and
- **Securing mutual recognition of professional qualifications between Member-States,** as well as implementing a minimum-requirement training programme for specific regulated professions in order for the acquired qualifications to be automatically recognized in the EU Member-States.

In the last few years, while awaiting the decision for finally starting accession talks, three reasons seem to be stalling the event: the name dispute with Greece, the issue of unbundling Albanian and North Macedonia and finally, the history related dispute with Bulgaria and therefore, the Republic of North Macedonia has been receiving positive reports for starting EU accession talks since 2009. **Inter alia, the annual reports of the European Commission analyze the progress made in countries in each of the 33 chapters of the *EU acquis*, including the principle of free provision of services and the right of establishment.** The annual reports from 2006 until 2020 are available on the website of the Parliament of the RNM as well as on the website of the Secretariat for European Affairs¹⁸.

- From the reports developed so far, several significant points can be noted in the area of freedom to provide services and the right of establishment:
- **The country notes slow and moderate progress in the area of freedom to provision of services and the right of establishment since 2006 onwards. An important problem is the fact that the period 2016-2020 is a period of stagnation and therefore the same findings and recommendations are constantly repeated.** In 2020, progress was eventually achieved, but additional harmonization is still required.
- **The biggest progress was achieved in the area of postal services where the only barrier remains to be the full liberalization of postal market.**
- Significant progress was accomplished in the area of the right of establishment, where the largest portion of the *EU-acquis* is implemented. The biggest shortcoming in the area of right of establishment is the **lack of a Single Contact Point.**
- **Evidently, in the course of 15 years, no significant progress was accomplished in terms of providing services by means of harmonizing the Service Directive, as well as by establishing a system for mutual recognition of qualifications.** Although these areas are, maybe, most important within the framework of the third negotiating chapter, it is obvious that in this particular moment they are far from harmonized with the European regulation.

18. Documents EU – Republic North Macedonia, accessible at: <https://www.sobranie.mk/dokumenti-rm-eu-cbb3490c-fe7d-4750-82f4-67c619c46a6a.nspx>; the last report of the European Commission accessible at: <https://www.sep.gov.mk/post/?id=5657#.YVGGRy8RpQI>.

4.2. Freedom of providing services within the framework of the regional integration processes

The purpose of the regional integration processes is to act as a preparatory step for the countries that are still not full members but aspire to become EU Member-States. Regarding CEFTA, all Member-States believe that it is necessary to fulfill the obligations of the Agreement and Protocols in order to position the economies of the countries closer to the internal market of the EU. The Western Balkan countries have a similar sentiment which leads to the establishment of a Regional Economic Area, as well as a Common Regional Market. Nevertheless, the last initiative of Serbia, North Macedonia and Albania called “Open Balkans” replicating the model of the Schengen Zone, was received with a dose of skepticism and suspicion by the other countries.

In recent years, the focus of CEFTA was trade facilitation, above all by securing fast and efficient flow of goods between the Member-States, with special focus put on the implementation of Protocol 5. Protocol 6 referring to the freedom for providing services was not publicly accessible for long time, neither detailed information on its contents existed although the text was adopted in 2019. Unlike Protocol 5 that contains more precise and solid deadlines for member-states to meet their obligations, Protocol 6 envisages more flexibility and implementation in accordance with national legislation.

The initiatives stemming from CEFTA i.e., REA and the Common Regional Market explicitly provide for freedom of services as one of the objectives that need to be reached. Yet, as in the case of CEFTA, currently these initiatives are primarily directed towards accomplishing the free movement of goods principle while services, recognition of qualifications and the right of establishment are still not in the focus. Setting up green corridors for flow of goods within the framework of Western Balkan countries and their expansion towards neighbouring EU Member-States is a priority at the moment.

Regarding the initiative “Open Balkans” which was made official in the course of last summer, suppressed the free provision of services in favour of the free flow of goods yet again. Nevertheless, this initiative is in its early stage and detailed acts on the operation of the concept have still not been published. Unlike the economic integration initiatives so far, this one was not supported unanimously. Namely, half of the countries of Western Balkan 6 remain outside the initiative and are not agreeable to join just yet. The highest Governmental officials of Kosovo openly criticize and oppose this project and see it as an alternative to EU membership, while Montenegro and Bosnia and Herzegovina, although not opposing the initiative, stress

that at the moment they are focused on EU integration – thereby indirectly agreeing with the position of Kosovo. While expecting more detailed information, the joint statement of the leaders of Albania, North Macedonia and Serbia is considered the most relevant source. **According to the joint statement, an agreement was reached to cooperate in 3 key areas – joint action in the course of natural disasters and other catastrophes, smooth movement of workers and recognition of qualifications as well as smooth movement of goods.** This means that although services are not in the focus of attention at the moment – recognition of qualifications is one of the 3 main objectives. The upcoming meeting related to this initiative is scheduled for the beginning of November in Belgrade to review the options together with the respective national ministries on how to implement this initiative.

5. Concluding remarks

Securing free movement of services should be one of the main priorities of every country striving for EU-membership. For small countries like the Republic of North Macedonia, a fully open economy is a prerequisite for economic growth and development. Trading services is quite significant for fulfilling this objective. In the last decades since independence up to date, the country is in an ongoing integration process on the EU level, but also on regional level.

When one looks at the **trajectory of the country, in terms of implementation of the *EU acquis***, one can note that implementation, to a great extent, is tied to and dependent upon the political climate in the country, including the position of the country in terms of external political process. Hence, although legal requirements that directly affect economic performance are concerned, they are closely intertwined with political factors.

Within the framework of the regional integration processes, **the problems can be divided into 2 groups. The first group consists of problems related to unequal economies, legal and overall institutional capacities of the Western Balkan countries.** The different level of the EU integration process acts as an obstacle for achieving a higher level of regional integration. The countries that are front-runners in the processes have a problem in joining forces with the countries that just started these processes. **The second group consists of problems caused by political events in the region. In situations when there is a unanimous political will of the highest representatives of the State, visible progress is evident, but continuity is still lacking in these events.** At times of political conflict, blockades are reflected in the field of economic processes. The last initiative “Open Balkan” is the most appropriate example.

Finally, the **Republic of North Macedonia as well as the other Western Balkan countries are still predominantly directed towards trade of goods facilitation**. Bearing in mind the fact that trading goods is more significant for the economic growth of the countries, no wonder the focus is still there considering the capacities of the countries. Nevertheless, the development of the service sectors under the influence of digitalization can bring about change in this area.

6. Recommendations

In the upcoming period, the Republic of North Macedonia should invest efforts in enabling a greater level of service liberalization in order to accomplish progress in the integration processes on the level of the EU, but also on regional level. The recommendations for the upcoming period for the Republic of North Macedonia stemming from the above analysis can be divided into two parts – recommendations related to the integration of the country within the EU and recommendations related to regional integrations regardless of the fact that both processes are complementary.

Recommendations related to regional integration

Focusing on specific initiatives with clearly defined objectives. The objectives of many regional initiatives are intertwined. Re-thinking them would bring about greater success. **Hence, the main recommendation from a short-term point of view:**

- Directing efforts towards operationalization of activities. Many of the requirements foreseen in the regional agreements and plans are identical with those that are part of the EU acquis or other regional integration processes.
- Establishing Contact points within relevant institutions charged with coordination of integration processes.
- **Coordination is required on both national level between all parties involved and on international level.** There is a large number of institutions that have an important role in the integration processes and therefore the need for a high level of coordination and cooperation. **In the absence of coordination, the efforts of certain institutions can be in vain if appropriate support is not extended from the other institutions that are either involved or should be involved in the processes.**

Considering the growing importance of services, above all for the small and opened economies of the Western Balkan countries, more attention should be paid to the freedom of providing services on the long-term integration processes.

- Although “on paper” some of the regional integration processes (CEFTA-2006, REA, and Common Regional Market) call for liberalization of services, very little is done for actual liberalization of services. With the exception of Protocol 6 of CEFTA-2006 Agreement, hardly anything is done in the other processes in terms of services. The focus remains predominantly on the free movement of goods.
- Shorter deadlines need to be defined for implementation of the provisions of international acts in order to speed up the pace of all countries thereby securing a more dynamic process that will produce the results. In the absence of implementation pressures, the countries that are integration front-runners will group together as a result of natural selection without trying to integrate with the countries that are in the beginning if these processes.
- The demand for services in the region and in the international markets is constantly growing. The regions that can secure/produce a bigger scope of services had a strong basis for faster economic activity. Hence, not only the freedom of providing services in the Western Balkan countries, but joint regional initiatives should also secure solid basis for organized provision of common services on international markets.

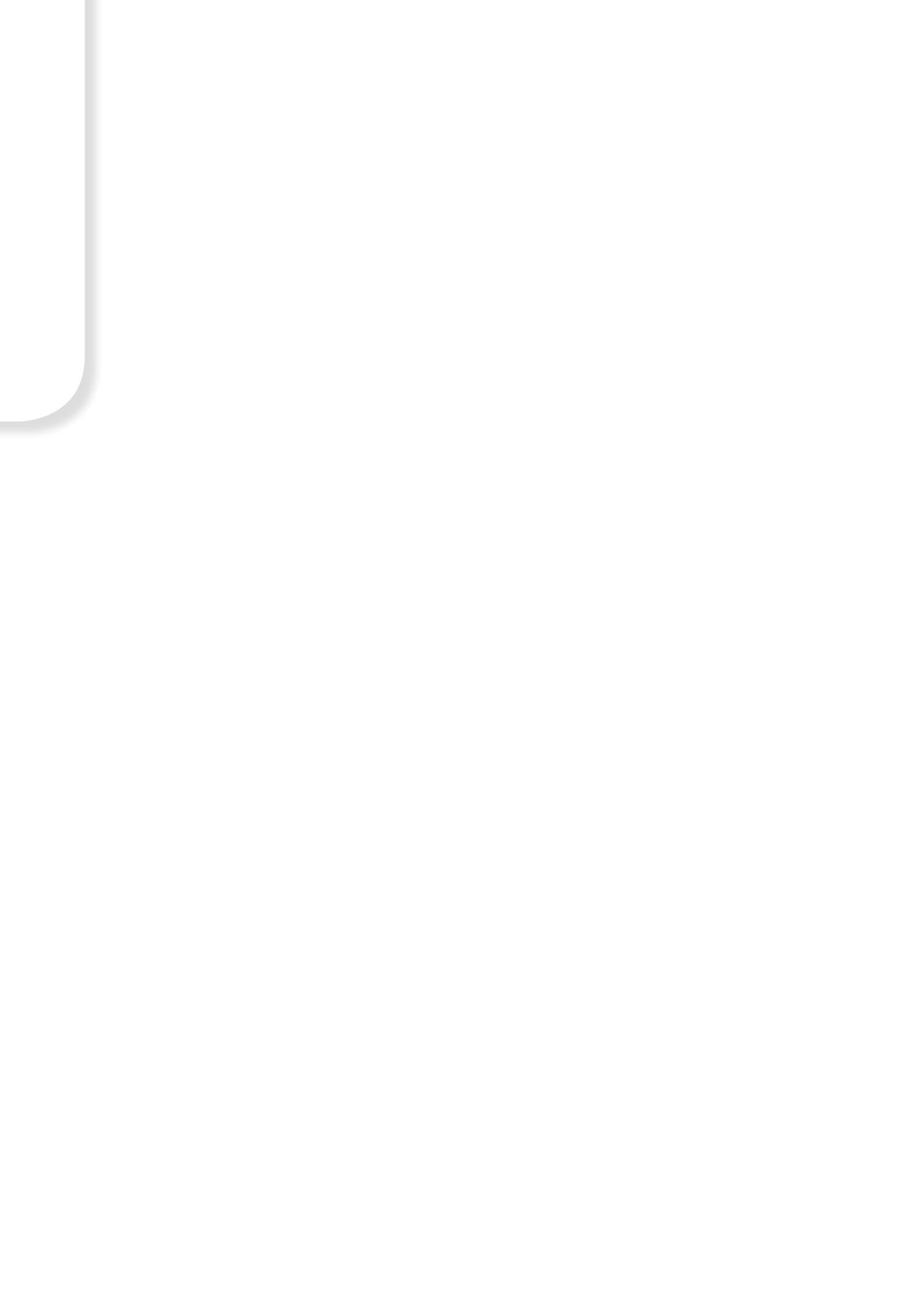
Recommendations related to EU integration

As **recommendations** for advancing the freedom of providing services and the right of establishment that should be implemented in the **shortest time possible** are:

- Implementation of the Service Directive;
- Implementation of the Directive on Mutual Recognition of Professional Qualifications;
- Development of e-portal with all information available on business opportunities for expanding services in the country, establishing companies, operational rules and regulations, as well as possibilities for undertaking administrative procedure electronically;
- Liberalization of the postal services market.

From a long-term viewpoint, building institutional capacities that will enable fulfilling the obligations stemming from the EU-acquis is necessary. Implementation of legislation implies securing consistent application of the principles enshrined within the founding treaties, regulations, directives, and EU case-law. Therefore, it is necessary to:

- Determine competent persons or units (contact points) within the institutions who will be entrusted with the coordination of competences within the institutions related to the integration processes.
- Especially important is securing contact points that will communicate with relevant institutions in the EU and in the EU Member-States in order to enable efficient implementation process.
- Strengthening human capacities within the institutions in order to enable more efficient implementation of the requirements as part of the institutional integration. **Ongoing and regular training of the employees is necessary to keep them informed about the integration processes.**





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