

Fatmir Besimi *
Dragan Tilev **

UPS AND DOWNS OF THE EUROPEAN ENLARGEMENT PROCESS: PERSPECTIVE FROM MACEDONIA

Abstract

The research presents an overview of the process of Enlargement during last two decades, with special emphasis on Macedonian path to the EU and aspects of regional cooperation. In this paper the authors argue that the Enlargement policy of the EU is the most successful project in the sense of bringing stability and economic prosperity to more than 500 million people, despite the fact that currently the process itself is facing unprecedented challenges. The authors also present numerous facts and evidence, why Macedonia's choice was and should remain full membership into the European Union with the access to generous Structural and Cohesion Funds.

Key words: Enlargement, European Union, stabilisation, security, association, financial assistance

I. Introduction

Since its independence, Macedonia has not changed its Euro-Atlantic course. In the past 20 years, from 1996, i.e. from the moment of the establishment of diplomatic, and later, contractual relations with the EU, the country is a partner of the EU, via a legal framework for our mutual relations (the Cooperation Agreement and the Stabilisation and Association Agreement) and a financial framework for support (through the PHARE, CARDS and IPA programs).

Several presidents and prime ministers, dozens of ministers for European affairs and foreign affairs, hundreds of members of parliament, scientists and researchers, thousands of civil servants have invested their personal and political careers, and part of their lives, and have built them in the foundations of Macedonia's future and European perspective.

We live in a time when the world is changing rapidly, the EU is also changing as well as the region and Macedonia. The situation is complex, the global crises and the ones faced by the EU are constant, and Macedonia's internal state of continues political crises is unsustainable. What matters is the political vision that should guide political decisions towards the right side of the history. Future generations will decide whether we had made right decisions in the right moment. In this historic moment and the geopolitical constellation, for Macedonia, there is only the Euro-Atlantic integration, and no other alternative. Around 70% of the population (according to the last results of the public opinion poll, IRI and Galup), from all ethnic and religious

* Fatmir Besimi, PhD

** Dragan Tilev, MA

communities, support this. And such support from the citizens obliges us to carry on the Euro-Atlantic path.

Looking back at the past 20 years, motivated by the legal framework of our relations with the EU, there have been numerous deep changes in the political system and economic climate. No segment of our society or way of life was left untouched in our EU integration process. However, we remain a vulnerable society, with a high unemployment rate, an unsatisfactory level of foreign and domestic investments, a doze of mistrust toward institutions and the judiciary, a relatively weak competitive ability of the economy.

The implementation of the SAA brought about more dynamic trade relations with the EU, and from 2001 to 2011 a free trade zone was established between the EU and Macedonia.

The goals of the EU enlargement policy are always accompanied by financial aid. In the beginning of the process, there was the PHARE Program, then CARDS, and during the past few years as well as today we use the IPA Programme. The EU funds available increase in parallel to the level of approximation of the country towards EU membership. However, the issue of absorption capacities for an efficient and effective use of those funds remains in the center of our attention.

Despite the challenges, the region is on the right track (Turkey, Montenegro and Serbia are already negotiating; Albania is a NATO member and is close to starting EU membership talks; Bosnia and Herzegovina applied for EU membership; Kosovo began implementing the SAA). Macedonia is an applicant country since 2004; we have been implementing the SAA since 2001 (trade section) i.e. we have been implementing it fully since 2004; we have a candidate status since 2005; in the period between 2009 and 2015, European Commission has recommended that accession negotiations are opened with Macedonia, but the Council did not take the decision. A new impetus is required. Many politicians and experts are convinced that the only credible step by the Commission and the Council (and by all Member States) during this phase, is to show the way towards the European perspective to our citizens and to open the possibility (through democratic elections) for Macedonia to begin accession negotiations.

Many prominent politicians and experts think that the enlargement process will not be completed without full integration of the Western Balkans in the European Union. In this context, we need to mention the significant Berlin process, the Berlin and Vienna summits, and this year's Paris summit, as well as the significant contribution in the realization of a number of important infrastructure projects (transport, energy), overcoming bilateral disputes, and the encouragement of cooperation and initiative among young people in the region. In this context, it has to be pointed out those bilateral disputes should not hinder the enlargement policy or the future of the country.

The political situation in Macedonia is in a complex phase, when a sound mind and politically-responsible decisions are required. The only option of our European future are democratic, credible elections and widely accepted election results (at home and abroad), functional democratic institutions, aggressive implementation of Urgent reform priorities, securing the EC recommendation for opening accession negotiations, deepening good neighborly relations with all neighbors, and of course, continuing with the proactive and positive approach toward all regional initiatives and the regional cooperation in general.

In case there is no success (which is not desired by anyone) as regards the political dialogue and the implementation of what had been agreed, we are aware of the possible and numerous consequences, from continued internal political turmoil, nonfunctional institutions, potential interethnic tensions, increased Euroscepticism, a danger of losing the EC recommendation for opening accession negotiations, to the negative effects on the region, fear for investors, a negative perception of Macedonia, etc.

It is obvious that we will have to become accustomed to a state of a constant crisis, economic, political, and migrant, security, social crisis. It is a fact that the Euro-Atlantic structures are put to a big test. However, it is exactly in these situations that great leaders are born, extraordinary solutions are found, and we all become stronger and more resilient.

The EU has shown during the past decades that it is capable of dealing with great challenges. The EU is a generational achievement which we must not give up, and no one gives us the right to give it up. For those reasons, we deeply believe that, with its attitude towards the Euro-Atlantic integration, Macedonia continues to be on the right path. The more prepared we are for changes, reforms, efficient institutions, acceptance of European values, the more our Euro-Atlantic partners are ready to accept us as part of their structures, and the faster we will be integrated in the Euro-Atlantic structures.

II. European enlargement process

After the fall of the Berlin Wall (1989) and the fall of the Soviet Union, the EU enlargement process towards Central and Eastern Europe, and the democratization and establishment of market-oriented economies began. In that same period, after the fall of Yugoslavia (1991), when the layered and overemphasized national issues between countries from the former Yugoslavia were being resolved through devastating and bloody conflicts (1991-1995), the entire region was outside of the unique historical enlargement process.

The Republic of Macedonia, since its declaration of independence (1991), had managed to avoid the war conflict with Yugoslavia, and in January 1992 was given a positive opinion by the Arbitrary Commission (led by R. Badinter), but was immediately met with many challenges associated with our recognition by some of the EU member states (due to the issue with our constitutional name), and our UN membership. Nevertheless, through a compromise, in April 1993, Macedonia was admitted to the UN as the 181st member state, but, due to objections by our southern neighbor, under a provisional reference, and not under its constitutional name. This has remained an open issue between the two countries to this day.

The European Union, faced with historical geopolitical challenges of its time, led two parallel processes, in terms of its enlargement. The first was defined for Central and Eastern Europe (CEE), where, based on the Copenhagen (1993) and Madrid criteria (1995), via a legal framework of the European association agreements and with financial backing through the PHARE program, the countries were preparing for accession talks (K.Maniokas, D.Zeruolis, R.Vilpisauskas, 2005). The EU consolidated its policy toward CEE on time, and defined the so-called Agenda 2000, as a two-way platform, first, as a preparation of the current EU member states for the accession of new members, and second, as a preparation of the new members, for their functioning within the EU (P.Ludlow, 2004). The historic enlargement happened in 2004 with 10 new member states, among them – Slovenia (as the first EU member state to come from the former Yugoslavia) and in 2007, Bulgaria and Romania joined (and Croatia, in 2013, as the second country from the former Yugoslavia (M.Sajdik, M.Schwazinger, 2008). The second process was directed towards the countries from Southeastern Europe (SEE, or later, Western Balkans), where, after the signing of the Paris Peace Agreement (1995), consolidated with Rome (1996) and with the launching of the Royaumont Process, with the aim of stability and good neighbor relations in SEE, an attempt was made to accelerate the integration process thus catching up with the CEE countries. In order to make detailed preconditions for progress in the EU integration process for the countries of SEE, the EU defined the Regional Approach policy (1996) i.e. regional cooperation, as well as the EU Conditionality strategy (1997) with the

political and economic preconditions for the development of bilateral EU relations with the SEE countries (J. Scheele, 2009).

It was shown that the consequences of the Balkan wars were complex and deep, and the political climate in some of the countries in the region hadn't matured for a quick EU accession, and joining the CEE countries, with the exception of the favourable situation in the Republic of Macedonia. Namely, after the normalization of its relations with Greece in 1995, and the establishment of diplomatic relations with the EU in December that same year, Macedonia developed its trajectory in the process, which can be marked with the fact that in 1996 we established contractual relations with the EU through the Cooperation Agreement (in force since 1998) and the Transport Agreement, and became part of the PHARE program (1996-1999), and started a regular political dialogue with the EU.

By the end of the decade (1999), with NATO's intervention in Serbia and the Kosovo crisis, as well as the changes in Croatia and the fall of the Milosevic regime in Serbia, a space was opened for a new political impulse in SEE's approach towards the EU. (G.A. MacLean, 2001). The international community (the UN, Council of Europe, OSCE, NATO), in Cologne, Germany in 1999 launched the SEE Stability Pact, as a political, and later economic, platform for the establishment and renewal of the broken political and economic and trade links between the SEE countries. As its own contribution toward the Stability Pact, the EU, using the positive momentum, in 1999 defined a legal, institutional and financial framework for the EU accession of SEE countries, in the form of the Stabilisation and Association Process (SAP). SAP's key elements were the generation of Stabilisation and Association Agreements and the new financial instruments CARDS (2000-2006) for support in the implementation of the reforms needed for EU membership. The EU's Open gates policy for the SEE countries was confirmed with the conclusions by the European Council in Madrid and S.M. de Faria in 2000.

Macedonia was an active partner in the Stability Pact, an honest factor in regional accession, and fulfilled its obligations of the EU's conditionality strategy. As a result of this positive attitude by the country, the EU decided that Macedonia will be the region's first country that will move forward in the Stabilisation and Association process, and will begin negotiations for the signing of the Stabilisation and Association Agreement. The EU prepared a special Report (A Feasibility Study, 1999) on the country's readiness to begin negotiations for the SAA, and then adopted the Directives for the EU's positions in the negotiations (2000).

On 5 April 2000, Macedonia, as the first SAP country, began negotiations with the EU for the signing of the SAA, and was the first to conclude them in an exceptionally short time. On 24 November 2000, at the margins of Zagreb Summit, the EU and Macedonia signed the first SAA in the region. As part of the SAA talks, were the talks on trade arrangements and concessions which resulted in the signing of the Interim Agreement (on trade and trade relations) on 16 February 2001. On 9 April 2001, the Stabilisation and Association Agreement was signed in Luxemburg between the European communities and Macedonia, as well as the Interim Agreement on Trade and Trade Relations. On 12 April, only three days after its signing, the SAA was ratified in the Macedonian Parliament. The Interim Agreement came into force on 1 June 2001, while the CAA was ratified by the European Parliament and all the countries, and came into force on 1 April 2004.

Unfortunately, between February and August 2001, Macedonia underwent through an internal political and security crisis of an interethnic nature, which, with mediation by the USA, the EU and NATO, ended with the signing of the Ohrid Framework Agreement (OFA). When the OFA was built into the Constitution and the national legislative, conditions were created for directing the political energy towards the EU perspectives and continuing with reforms.

The EU's efforts for successful enlargement in SEE continued with the adoption of the European Council's conclusions and the so-called Thessaloniki Agenda in June 2003, during Greece's presidency. The positive energy was reflected through the strengthened political dialogue (high-level meetings were held between the EU and the SAP countries) and the defining of concrete indicators in the form of European partnerships (later, for some countries, transformed into Accession partnerships). At the same time, as part of the CARDS programme, the instruments Twinning and TAIEX were opened for the SAP countries; and participation in the EU programs, as well as potential participation in some of the EU agencies.

Macedonia, as a sign of its strategic orientation, in accordance with article 49 of the EU Establishment Agreement, after the adopted Declaration in the Macedonian Parliament, officially submitted its EU Membership Application on 22 March 2004 in Dublin, during Ireland's presidency with of European Council. On 1 April 2004, the Stabilisation and Association Agreement officially came into force; and in that same year, Macedonia's National Strategy for EU Membership was adopted, and the first meeting of the Stabilisation and Association Committee (3 June) was held, followed by the meeting of the Stabilisation and Association Council (14 September). The then-president of the European Commission, Romano Prodi, during his first official visit to Macedonia in October 2004, handed the Questionnaire for the country's readiness in obtaining candidate status. In February 2005, the answers to the Questionnaire were given to the EC which gave its Opinion and detailed estimates of the country to the European Council for a decision. The European Council, during the UK presidency, on 16 December 2005, gave a positive decision, and Macedonia became a candidate country, however, without a date for the start of accession talks.

Macedonia, despite not getting its membership during the NATO Summit in Bucharest, continued fulfilling its obligations for EU integration. Simultaneously, talks for visa liberalisation were taking place. The end of 2009 brought success for Macedonia: in October 2009, the EC concluded that all conditions for the start of accession talks were fulfilled, and recommended to the European Council to designate a date, and decide on the start of the accession talks. The Council did not reach a consensus for the start of accession talks due to the open issue with Greece. On the other hand, on 20 November 2009, the Council decided that Macedonia's citizens can travel visa-free within the EU's Shenghen zone.

Macedonia found itself in an unusual situation in the decision-making system of the EU institutions, where it isn't possible to reach a consensus because the European Commission regularly, from 2009 onwards (in 2015, six times in a row, and the seventh conditioned recommendation) has decided that we are ready to start the accession talks, while the European Council, due to the open issue with one member state, cannot reach a decision for the start of negotiations for Macedonia.

Macedonia presented the case of Greece's objection to our membership in international organizations, which isn't in accordance with the Interim Agreement signed by both sides, before the International Court of Justice ICJ in The Hague. On 5 September 2011, the court decided in favour of Macedonia. However, the judgment has not been materialised in the case of Macedonia's membership in NATO and in the EU.

In March 2012, the EC made another attempt to advance the accession process for Macedonia, by launching the High Level Accession Dialogue with determined concrete goals and priorities. That same year, in December, the European Commission recommended to the Council a conclusion which offered *de facto* a parallel start of accession talks and the continuing of negotiations with Greece on the name issue, under the UN. Unfortunately, this effort also failed to gain a consensus in the European Council and ended without the desired epilogue, despite the EU's Spring Report on Macedonia, of April 2013, as well as the EC's fifth (2013)

and sixth recommendation (2014) for the start of accession talks. The seventh recommendation, due to the political instability and the absence of real progress in the process, in 2015 was defined as a conditioned recommendation (associated with the implementation of what's been agreed through the political dialogue and the progress in the implementation of the Urgent Reform Priorities, as well as democratic and credible elections). The condition for improving good neighbor relations which has been present for several years and is explicitly about finding a mutually acceptable solution to the name issue with Greece via intensified talks mediated by the UN (M. Nimitz), as well as the completion of talks with Bulgaria and the signing of the Neighborhood Agreement, remain a challenge and a high state priority in the coming period.

In the meantime, from July 2013, Croatia became the 28th EU member state (as second country from the former Yugoslavia), Montenegro started accession talks in 2012, as did Serbia in 2013, Albania received a conditional candidate status in 2012, Kosovo signed the SAA, which came into force in 2016, Bosnia and Herzegovina submitted its membership request to the EU in 2016, Turkey continues with the accession talks with a slower tempo, whilst Iceland has decided to withdraw from accession talks.

The European Union, after emerging from the largest financial crisis (2008-2010), with deep political consequences and tectonic movements, as well as the consolidation of economic policies, entered with a dose of optimism in the historic May 2014 elections for the European Parliament (whose members are slightly in favor of far-right parties), the new presidents of the European Commission, and the European Council, and the new members of the European Commission, assuming that the new energy will focus towards the investment cycle, new jobs and the reduction of the high unemployment rate in EU member states.

However, what appeared as a passing and controllable period of crisis was transformed into a continuous crisis, which changes forms and intensity. The unpredictable, complicated problems that the EU is facing with the Russian Federation's borders, especially in Ukraine, followed with the problems of the massive migrant crisis and the wave of refugees from Syria, Afghanistan, Iraq, and Libya are yet another challenge and test for the EU's decision-making capabilities, but also an opportunity for a new cohesive impulse for harmonization of the, occasionally, diverging interests of its 28 member states.

To be even worse, it has happened something that just couple of years ago no one believed that could happen. One of the biggest, one of the most influential and economically one of strongest member state, United Kingdom, in an open referendum, on 23 June, although with small marginal difference, yet, decided to live the European Union and to proceed by its own. United Kingdom and the whole European Union architecture is now challenged, with unprecedented and unpredictable immediate and long term consequences.

All of that resulted in an increase of Euroscepticism, the articulation of the "sleeping" nationalism, and the decreasing of the sense of solidarity and consensus on some of the key EU policies. This unfavourable environment is one of the reasons for the EC's president, Junker's statement that it is unequivocal that there would be no new member states during the mandate of this EU (until 2019). This unfavourable opinion by Junker would later be explained that the entry of new members until 2019 isn't undesirable but is objectively not possible due to the technical character and the length of accession talks that every country, which aims for the EU membership, must complete.

III. Macedonia as part of Enlargement process

The Stabilisation and Association Agreement (SAA), as a complex internationally- and legally-binding act, on a political level, placed Macedonia among the countries with an EU membership perspective, whilst on an economic level, an asymmetric agreement through trade preferential, opened the door to one of the largest and financially powerful markets in the world.

It was rightly assumed that the SAA would encourage the acceleration of the restructuring of Macedonia's economy, and the adaptation to new market conditions, as well as open the possibility of an acceleration of the social and economic development of the country, and the establishment of permanent political and economic ties with all EU member states.

By determining the transitional period, it was affirmed that full association would be reached within 10 years, in two phases. In 2009, the European Commission, based on the detailed analysis and an estimate of the SAA's implementation, recommended to the Council to give a positive opinion on the decision to enter the second phase of the SAA. The European Council, failing to reach a consensus due to the open issue with Greece, hasn't fulfilled its obligation to this day.

The part of the SAA which regulates the free movement of goods had a direct impact on the dynamic of the development of our economy, industry and canalizing our trade relations toward the EU. The approach was a symmetrical; all our goods had immediate free access to the European market, without customs, and quantitative limitations or with small and temporary limitations, while our market was opening up to European goods with gradual decrease of customs expencies and other limitations, during a period of 10 years. This approach was meant to give Macedonian producers the chance to invest in new technologies and production methods, thus improving their productivity and competitive ability. Trough this asymmetric approach, at the end of the transitional period (10 years), a free trade zone is established between the Republic of Macedonia and the European Union. This goal was achieved on June 01st, 2011.

Undoubtedly, the implementation of the SAA and the Interim Agreement on Trade and Trade Relations with the EU has contributed to the dynamization of trade relations with the EU. To illustrate the SAA's effects, we can see that in 2002, Macedonia's export in the EU is 613 million Euros, and in 2014 it reached 3 billion Euros, which is an increase of 389 percentage points. At the same time, EU imports in Macedonia, in 2002, reached 1.4 billion Euros, and in 2014, it was 3.8 billion Euros, which represents an increase of 170 points.

It is evident that, despite having a trade deficit in our trade exchange with the EU, the growth dynamic of our exports in the EU is faster than the dynamics of growth of imports from the EU, which is largely thanks to the preferential conditions offered by the SAA.

The statistical data of the orientation of our trade exchange (total export-import in 2014), are also favourable to the effects of the SAA's implementation; 76.6% of our exports are directed towards the EU, whilst 63.5% of our imports come from the EU member states.

At the moment (Eurostat 2014 data), the GDP per capita in Macedonia is about 36% of the EU-28 average. Also noticeable is that in 2002, it was 26%, i.e. we have an increase of 10 pp. Nevertheless, there's a positive trend, but not with the dynamic that we desire. Accelerated dynamics in GDP growth are needed, in order to reach the EU's average standard.

One of the SAA's key pillars, which touch the essence of the EU integration process, is the determination of the extent and dynamic of adjusting our legislative with that of the EU, as well as ensuring an institutional basis for its implementation. It is an enormous bulk of regulations, directives, decisions and recommendation (the so-called *Acquis communautaire*), which are gradually built into our legislative. To illustrate, by monitoring the NPAA, in the adjustment of the national legislative with the EU's, we have concluded that, despite being

ambitiously planned, the transposition, on an annual level, is being realized at about 30-50%, and the achieved results are evident.

In the 1997-2005 period (until the candidate status), we adopted 115 new laws where 310 EU regulations, directives and decision by the Council or the European Commission are transposed. With the candidate status from 2005, we have adopted 557 laws and transposed 1185 EU measures thus far. In total, for the whole monitoring period since 1997, we have adopted 672 new laws with 1496 transposed EU measures.

When evaluating the process's success in the harmonization with the EU Acquis, it should be noted that the results and dynamic have been reached during conditions when our administrations had not passed through the screening process (an in-depth analysis and explanation of European regulations), and with no start for the country's accession talks.

The success and the dynamic of the process of harmonizing our legislation also depends on the quality of the translation of European regulations, which represents the preparation of the Macedonian version of the Acquis Communautaire which will be built into the national legal system.

During the process of harmonizing our legislation, it is important that the transposing of European regulations is not sufficient, but it is important to secure a healthy institutional framework which will allow the implementation of new regulations. In this context, the need for a reform of the judiciary was also emphasized, in order to improve its efficiency, as well as reforms for creating a competent and professional state, loyal and public administration.

The implementation of the SAA causes direct and indirect financial consequences for our national budget and our economy. The SAA implementation costs, and the costs of achieving our strategic goal of full EU integration are almost impossible to estimate in full (the environment part alone gives a rough estimate of over 4.0 billion Euros), but it is clear that they are incredibly high. The experiences of countries from the last great wave of enlargement show that over 90-95% of the total integration costs fall on the national budget, while only 5-10% is compensated by the EU funds or by other donations.

The burden on the national budget, in the form of direct costs for implementation of reforms, the defining of new sector policies, translation of European law, drawing up of new regulations, preparation of current and the establishment of new institutions, job creation, connecting with the European infrastructural network, demand large state investments. Also added are the investments and costs of economic operators as indirect "costs" for the economy, which must invest constantly and intensively, in order to meet the new standards of safety and quality of products, the introduction of modern technologies and improvement of its products' competitiveness in the home, regional, and European market. The lost revenues in the forms of customs, taxes and excises, due to the liberalization of the trade relations with the EU and the opening up of our market to European products, have to be taken into account.

Such costs largely fall to the national budget and the economic operators, whilst a smaller part is compensated by the EU support funds for the integration process (Friends of Europe, 2011).

The framework, types and conditions of the financial cooperation were defined, which was meant to secure significant support in the fulfillment of the SAA obligations, in the part of additional investment and costs which would have occurred from the process of reforms and transformation of our system. The SAA predicts that the financial cooperation can be in the form of grants (irreversible aid through the CARDS, later IPA, program), in the form of credits, (from the EIB), microfinancial aid and direct budget support.

The EU funds increase as the country nears EU membership; however, their absorption depends on the capacity for effective use of the funds. Through the PHARE program, in 1996-

1999, Macedonia used around 24-30 million Euros annually (or around 12-15 Euros per capita). As a legal framework for achieving political goals, the SAA was accompanied by the financial instrument CARDS in the 2000-2006 period, when Macedonia received aid of around 40-45 million Euros annually (or around 20-23 Euros per capita)

In the 2007-2013 period, Macedonia had 614 million or around 40-45 Euros per capita annually from the IPA. For this period, the percentage of signed agreements from the allocated IPA funds is around 62%. In 2014-2020, the indicative allocation for Macedonia through the IPA II is a total of 664 million Euros. It is over 1.27 billion Euros from the EU's support of our European integration reforms for the 2007-2020 period.

There is also financial aid from the Multi-country IPA (2007-2013 and 2014-2020), which, for the 2014-2020 period is aimed at the horizontal support of sector policies and reforms; regional structures and networks; regional investment support; and territorial cooperation.

In order to coordinate and synchronize the process, since 2006 the Macedonian government has made annual preparations for the National Program for the Adoption of the *Acquis Communautaire* (NPAA) which includes over 130 state institutions and around 800-1000 state workers and experts. The program determines the Government's framework of action in all its sectors and in all its institutions, while also directs the work of the Macedonian Parliament. Our national economic policy, in a dialogue with the EU, is directed through the three-year Economic Reforms Programs.

There couldn't be a successful integration process without a competent and professional administration; the continuous strengthening of the institutional capacity is the key factor for an effective implementation of EU law in the national legal system. The goal is the establishment of a public administration that will be capable of carrying the burden of integration in the EU, as well the consequences of membership. This is a top priority that horizontally connects all sector reforms in the European integration process, and it is a key factor in their success. Macedonia continuously, strategically and systematically is implementing administration reforms, including training for the development of specific capabilities for the implementation of the SAA.

The implemented reforms require decision-making on the political, social and economic system, thus impacting the way and quality of life of all citizens. It is very important for the public to be informed on time about the reforms, why they were passed, their usefulness and costs. This way, the public is encouraged to participate in the process and be proactive.

Institutionally, the structure of the European integration process management began developing 20 years ago, since 1996. The continuity and professionalism, and the accumulation of knowledge and experience allowed for its stability and upgrading,

The Macedonian government also established an institutional system of coordination between departments in the European integration process on several levels, with fully operational bodies (Working Committee for European Integration, Subcommittee for Approximation to the EU *Acquis*, and the special Working groups and sub-groups for the adoption of the *acquis communautaire*, following the structure of the 35 chapters of the *acquis*).

The SAA defines the establishment and work of the required common bodies between Macedonia and the EU which follow the Agreement's implementation, such as the Stabilisation and Association Council (on a ministerial level) that monitors the implementation of the Agreement, and when needed, decides on the directions of implementation; The Stabilisation and Association Committee, with the seven sector sub-committees and a special group for the monitoring of the public administration reform; and the Common Parliamentary Committee for the SAA.

IV. Regional cooperation and Berlin process

In 2014, European Commission President Jean-Claude Juncker announced a five-year halt on enlargement. There were a lot of criticisms within the EU and especially within our region for the President of the Commission. This statement distancing of the membership prospects, coupled with the realisation that achieving long-term stability and transforming the region could best be secured through economic growth and increased regional cooperation, led to the so-called 'Berlin process'. The initiative came from Chancellor Angela Merkel and the first Berlin process Summit was held in Berlin in 2014, followed with Vienna Summit in 2015 and Paris Summit in 2016. Next Summit is scheduled for Rome in 2017 and the last should be in 2018 (symbolism with 100 years from the First WW 1914-1918).

This process aims to reaffirm the region's EU perspective by improving cooperation and economic stability within it. Connectivity is an important aspect of this process, with investment in infrastructure being seen as a means for creating jobs, business opportunities and other benefits. Around one billion Euros for infrastructural projects will be available through IPA II, which will satisfy the criteria, defined equally for all countries in question.

Creating high-level political connections, reconciling societies by stimulating youth exchange and education projects, and resolving outstanding bilateral disputes, while ensuring civil society participation in the whole process, are other significant aspects of this initiative.

The Berlin process enjoys the support of the region and the EU alike, as an initiative bringing a new perspective and impetus to the enlargement process. It has brought a positive momentum for regional cooperation, notably through its projects which are expected to have an economic and social impact that will complement the EU membership ambitions of the individual countries.

Regional cooperation and good neighborly relations are a pre-condition for EU accession and one of the strategies to address related challenges. Since the launch of the Stability Pact for southeast Europe in 1999, numerous formats and initiatives have sprung up, focusing on economic, functional, political and security cooperation. There are more than 45-50 regional active initiatives, starting with SEECP, RCC, CEI, SEETO, MARRI etc.). Some may say, with full right, that there is inflation of regional initiative. No matter, they all have their rational, reasons, goal, mechanisms and instruments. It is important to recognize their value and to use them to the maximum possible extent to promote in words but in practice too, the need to strengthen regional cooperation among WB6 countries, but also between WB6 and EU member states in particular.

Berlin process is connecting and complementing all other existing regional initiatives, streamlining efforts, energy and funds to the most important priorities, connectivity, competitiveness, youth (RYCO) and finding a solution for existing bilateral disputes (Declaration).

V. Challenges and perspectives

The enlargement is one of the EU's most successful policies, which contributed to the strengthening of peace, democracy and stability in Europe, and was the basis for winning the Nobel Peace Prize, however, in the past few years it has not been at the center of EU's interests. All countries from the Western Balkans clearly stated their strategic goal, and linked their political and economic interest with EU membership. The process of enlargement toward

Southeastern Europe has been ongoing for a long time and can be seen as success in progress. However, until all countries from the region become full members, the process is incomplete and cannot be seen as fully successful. A challenge for the EU is to find ways to overcome open bilateral issues between some of the Western Balkans countries, i.e. open bilateral issues between an EU member state and a candidate country. The ability to solve such complex questions would protect the EU's credibility and would ensure success of the enlargement process.

Macedonia has linked its development, security and prosperity with the EU, showing a clear aim towards its integration in the European Union. The citizens' support for this has been between 90% and 70%, and has varied depending on the political moment, but remains strong.

Should Macedonia not become a full member of the EU in the near future, then the country could be placed outside of the EU's protective mechanism and solidarity and would have to deal with its international position and security mostly on its own. From an economic aspect, until Macedonia becomes an EU member, it would not have access to the structural funds and the cohesion fund. Also, it is excluded from the decision-making process on key issues which, directly or indirectly, target our future and economic development, as well as the future and development of our region.

Facing all these challenges is a task for all citizens of Macedonia, but first and foremost, it is the task and obligation for all political factors in the country, and especially for the Government and the Parliament.

Throughout the ten-year cycle of implementing the Stabilisation and Association Agreement, a strong impulse was given to our possibility of an EU membership, and it paved the way for political and economic reforms, it contributed to an accelerated development of Macedonia. At the same time, despite the EC's recommendations, we faced the objection towards the decision for a start of accession talks, and for an entry into the second phase of the SAA's implementation. Such developments partially demotivated the public administration, and brought into question the credibility of the European institutions.

In such conditions, the process of harmonisation with the EU Acquis, became a great challenge, mainly due to the absence of a deeper interaction between our and EU experts, during a period when there is no start of accession talks i.e. there is no screening processor an in-depth analysis of the flaws of our national legislation. Macedonia continues to be a leader in the region in the process of transposing European law in our national legal system, however, without the start of accession talks, and the use of the full potential of EU institutions, the process will slow down, experts will age, and the transposition costs will multiply, and partially, will become unproductive. The same logic is followed by the process of establishing new institutions to support the implementation of the new European legislation, which have no real partners from the EU's side, until we start accession talks.

The real challenge will be to secure national budget support and cover the costs for ensuring continuity in the process of Harmonization with the EU Acquis and establishing and maintaining institutions for its implementation, in conditions of uncertainty with the dynamic of the process, and strong competition by other priorities. The costs for harmonization with the EU Acquis, establishing the required institutional structures for its implementation, training experts, as well as the costs for adaptation of our economic operators to the European standards of quality and safety of products which are enormous, are tolerated, and will continue to be tolerated, mainly, by us, and only a small part will be compensated by EU funds. The spirit and logic of the SAA were, during a ten-year period that we would be closer to the structural and the cohesion funds through the accession talks, thus partially compensating the costs of harmonisation with

the EU Acquis and institutional reforms. The slowdown of our EU integration affects the significant reduction of the potential support package from EU funds.

The SAA, through the gradual liberalisation of our market, caused a reduction of our budget revenues due to the reduced revenues from customs, and partially, taxes and excises because of the harmonization with the EU rules. Again, the logic and spirit of the SAA were that, through accession talks and EU entry, the loss of budget revenue would be compensated, by accessing the larger structural and cohesion fund. For us, the challenge remains of accelerating the EU integration process in order to access the funds that will provide us with a basis for compensation of lost revenues in the national budget.

Macedonia, according to the EC's findings, fulfills the criteria to begin accession talks since 2009 and if fully prepared to start the talks. However, the European Council did not reach consensus about the European Commission's recommendations for six consecutive years. In 2015, the seventh conditional recommendation came, but our firm political and strategic orientation hasn't waned, and the public's support remains very high.

There is no other alternative for our European future, except democratic, credible elections and widely accepted election results (at home and abroad), functional democratic institutions, further aggressive implementation of the Urgent Reform Priorities, the implementation of the Ohrid Framework Agreement, and the relaxing of international relations, securing the EC's recommendation for a start of accession talks, improving good neighbor relations with all neighbors, and of course, continuing with the positive attitude toward all regional initiatives and regional cooperation in general.

In case of failure in the political dialogue and the implementation of what has been agreed, we are aware of the many possible consequences. Let me list some of the possible internal consequences: political turmoil, non-functioning institutions, potential ethnic tensions, an increase in Euroscepticism, smaller chances for economic growth and the economy, a high budget deficit and a risky increase of the public debt, a danger of losing the EC's recommendation for a start of accession talks, etc.; while some of the possible external consequences would be: negative impact on our close neighbors and regional partners; a fear with current investors, including future investors, which can result in a loss of jobs and the rise of unemployment; a negative perception of Macedonia on the Warsaw NATO summit; a fall in the EU's interest towards Macedonia and its internal situation; a danger of isolation for Macedonia, regionally and internationally; geopolitical movements with consequences for Macedonia as a country with a small economy, small population, and small regional and international influence, etc..

If we overcome the current internal political crisis, we could direct our energy toward several goals, such as:

- A proactive policy, using all diplomatic channels and means, securing a deeper dialogue with all our neighbors, through various mechanisms of regional cooperation and the Stabilisation and Association Agreement; leading to an improvement of good relations with neighbors and building trust on all levels, especially with neighbors who are EU members (Bulgaria and Greece) with whom we have open bilateral issues.
- A consolidated, proactive, and coordinated approach towards the important Berlin Process, by fulfilling the agreed obligations in Berlin (2014) and Vienna (2015), following the path from Paris (2016) and with the preparations for the Rome Summit (2017).
- Creating a basis for intensifying the dialogue with all EU member states, as factors in the decision-making process of the EU institutions and policy-makers; opening new channels

of dialogue with the USA, for a rapid improvement and affirmation of a positive perception of Macedonia internationally.

- Continuing with reforms in the economy, and building in a functional market economy, with a stable micro economy, efficient fiscal policy and transparent public finances and a healthy monetary policy as a basis for rapid growth and development, creating jobs, and the return of young and educated workers in the country.
- Strengthening the capacity of strategic planning and directing the national budget funds and the credit potential, complemented by the further development of the planning and programming capacities with the EU funds (IPA I and IPA II) and through preparations for mature projects, their increased and accelerated absorption through the national system for decentralized implementation.

In the end, we can conclude that European integration remains Macedonia's strategic aim, supported by the citizens, and it should be fulfilled without further delay, because of the citizens.

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