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# Trade Liberalisation as a Changeability Factor in the Economic Development of Northern Macedonia

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**Abstract:** Northern Macedonia is currently focused on the growth and promotion of trade liberalisation with the final target of integration into the European family. The Republic of Macedonia has implemented and continues to implement economic policies that promote a long term economic growth in line with regional and global economic integration as a result of the obligations that arise from the agreement with the World Organization trade. This study clarifies the economic impact model of its impact on CEFTA, EFTA and global market, competitiveness, implications of economic policies, and challenges in bilateral and multilateral agreements. Macedonia as the largest partner in the economic aspect of the European Union, what is statistically significant for economic growth.

**Keywords:** Trade Liberalisation, Globalization, CEFTA, EFTA, Economic Integration

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## 1. Introduction

Many global economists as supporters of trade liberalisation emphasize that lifting trade barriers leads their country to high benefits, prosperity and poverty reduction. Commercial liberalisation plays a significant role in the economic development of the country because of the fact that it affects the elimination of tariff barriers between different countries, many explanations have been given by many authors such as Edwards and Frankel & Romer [4]; they focused on the benefits of trade liberalisation. They emphasized that no country in the world achieves economic success and better standard of living for its people, without being open to the rest of the world. Under these conditions, the Republic of Macedonia, like other countries, must necessarily follow the trends as it is part of many free trade agreements at the CEFTE level of the CEFTE and the global market. According to Rodrik, D. [8, 9], export-oriented countries tend to have continued economic growth in comparison with countries that are import-oriented. In the Republic of Macedonia, the local enterprises are obliged to support not only on the domestic market, but they also profit

by the economization on the external level, because the production of processed products for export promotes efficiency for its economy. Trade liberalisation as part of the globalization process has an uneven impact in different parts of the world. The positive impact on the labor market results in declining unemployment, improving welfare and reducing poverty. Such effects are measured through price changes, while economic integration is closely linked to the internal price transmission mechanism and production factors such as wages, benefits, returns from invested capital, land as well as type of employee sector. According to Winters et al. [14] trade liberalisation affects every aspect of society as well as the ability of the household economy, where as a starting point this is based on competition for open economy companies, respecting the rights of exchange, thus reducing the role of national boundaries and unites national markets in a unified market. The main feature of the global market is the growth of international trade, increasing and concentration of inflows of international capital, migration of population as well as technology and technology development. The purpose of this study is to examine the economic efficiency of the market based on the programs and policies that the Republic of Macedonia should apply as a country that wants

to be competitive in the European family.

## 2. Methods

With this study, we have tried to find out the data from the material literature and the data from the Statistical Office to highlight the benefits and weaknesses of the trade liberalisation agreements between the countries of the region and beyond.

## 3. Result and Discussion

### 3.1. Policies and Reforms Implemented in the Economy Sector

The economy of northern Macedonia is an integral part of the initiatives for liberalisation and trade facilitation in the region and beyond. These initiatives have given Macedonia the opportunity to specialise in increasing competitiveness. Trade as a sector is considered as a major engine for the country's economy, and there is a need for a country to undergo a new macroeconomic restructuring regime by implementing major reforms in all sectors. In contrast to other Southeast European countries, northern Macedonia began intensively reforming, focusing mainly on importing defective products and changing the quantity and structure of the product, and so the exports began to diminish as far as their release. The beginnings of Macedonia's trade cooperation date back to the 90s plural system, whereby full diplomatic relations with the EU countries were put in place, so in 1995 Macedonia became the beneficiary of the PHARE program as a program of administrative and economic reforms, while in 1999 The European Union proposed the start of the Stabilization and Association Process for the five Western Balkan countries, including Macedonia (SAP),

and so reforms continue to reach membership in the major European family.

### 3.2. Macedonia's Integration into CEFTA

Central European Free Trade Agreement (CEFTA) is a free trade agreement which takes part in the countries of the Western Balkans region. In January 2001, in Geneva, at the Political Trade Forum on Trade Liberalisation, organized from the Stability Pact, EJM Ministers faced a dilemma: Either to create a free trade area by signing a single agreement, from the seven states, or one bilateral network of FTAs between them. So they were in a situation where they had to do one strategic choice. Under these conditions, a Central European Free Trade Agreement (FTA) called CEFTA was formed.

The beginnings of CEFTA are in fact the earliest, because it was born out of a trade agreement between Poland, Hungary, the Czech Republic and Slovakia in December 1992 and came into force in July 1994. Through CEFTA these participating countries were mobilized to access the institutions political, legal and economic interests of the European Union, thus strengthening democracy and their market economies. Slovenia joined CEFTA in 1996, Romania in 1997, Bulgaria in 1999, Croatia in 2003 and Macedonia in 2006. Since 2007 all previous CEFTA parties had entered the European Union and had come from CEFTA, it was decided to extend CEFTA to the remaining Balkans EU. At this time Kosovo, Albania, Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Croatia and Moldova had signed a large number of bilateral agreements free trade within the framework of the Stability Pact for South Eastern Europe. These were replaced from a single multilateral agreement - CEFTA, which can be seen in Table 1 below.

Table 1. CEFTA Free Trade Agreements.

|         | Albania | B&H   | Bulg. | Croat | Maced | Molda | Ruman | Srb-Mo | Kosovo |
|---------|---------|-------|-------|-------|-------|-------|-------|--------|--------|
| Albania | -       | 12/04 | 09/03 | 06/03 | 07/02 | 11/04 | 01/04 | 08/04  | 10/03  |
| B&H     | 12/04   | -     | 12/04 | 01/05 | 07/02 | 05/04 | 12/04 | 06/02  | 12/06  |
| Bulg.   | 09/03   | 12/04 | -     | 03/03 | 01/00 | 1/04  | 07/97 | 06/04  | -      |
| Croat   | 06/03   | 01/05 | 03/03 | -     | 06/97 | 10/04 | 03/03 | 07/04  | 11/06  |
| Maced   | 07/02   | 07/02 | 01/00 | 06/97 | -     | 01/05 | 01/04 | 05/05  | 08/05  |
| Molda   | 11/04   | 05/04 | 11/04 | 10/07 | 01/05 | -     | 11/97 | 09/04  | -      |
| Ruman   | 01/04   | 12/04 | 07/97 | 01/04 | 01/04 | 11/97 | -     | 07/04  | -      |
| Srb-M   | 08/04   | 06/02 | 06/04 | 05/05 | 05/05 | 09/04 | 07/04 | -      | -      |
| Kosovo  | 10/03   | 12/06 | -     | 11/06 | 08/05 | -     | -     | -      | -      |

From the table above, we see that the Republic of Northern Macedonia is signatory to all the countries of the region, for example. With Croatia in 1997, with Albania and Bosnia and Herzegovina in 2002, with Roman in 2005, etc.

The initial goal of forming CEFTA has been to promote democracy and the economy market in the region to help membership and mobilize the country's efforts in order to integrate into the European Institutions. But CEFTA is far more than an agreement on customs tariffs is in fact a nature agreement multidimensional.

From a political point of view, CEFTA is part of the

country's efforts the region and the European Union (EU) to create a regional market that enables development economic and that will eventually contribute to increasing security and political stability in Kosovo Balkans. In fact, CEFTA is a pre-accession instrument in the EU. Everywhere of the former Socialist bloc that has become a member of the EU today, has previously been a member of CEFTA. Similarly, any country that is in the process of joining the EU has become a member of CEFTA. From an economic point of view, CEFTA will help economic development in region through liberalisation and trade development. World

experience has proven that the countries that close the door to trade close the door to development. Specifically, since the beginning of 2005, all trade flows in the region were realised under the network FTAs provided by CEFTA. Practically, these agreements presupposed: - tariff elimination of over 90% of the volume of trade and tariff lines, - the elimination of non-tariff barriers to trade within the region and the strengthening of trade in services, - trade facilitation, - harmonization of legislation with that of the EU (especially for customs procedures, company law, competition law, standards, technical rules, etc.).

The Republic of Macedonia has recorded a significant increase in volume and trading value with the countries of the world, for example. in 2007 the export value of \$ 3,388 million in 2012, amounted to \$ 4,015 million, while in 2017 it amounted to \$ 5,671 million or the growth was 39.1% since 2007, while the import value was \$ 7720 million<sup>1</sup>.

### 3.3. Macedonia's Integration into FTA-s

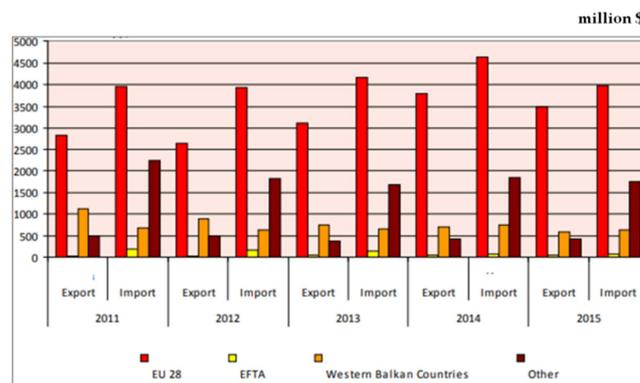
In June 2000, Macedonia signed the Free Trade Agreement with the Association European Free Trade Association (EFTA). EFTA had members states like Iceland, Switzerland, Norway and Liechtenstein and so on. This Agreement between the Republic of Macedonia and the EFTA countries focus on the liberalization of trade in goods. Those abolish all customs duties on industrial products, including various agricultural and non-agricultural products. Macedonia as a country in the southeastern part of Europe has a considerable trade value of commodities mainly to the agrocomplex sector, mining sector and industry sector Table 2.

**Table 2.** The trade exchange of the Republic of Macedonia in the north during 2014-2015 in thousand US \$.

| in thousand US \$         | Exports   |           | Imports   |           |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | 2014      | 2015      | 2014      | 2015      |
| Total                     | 4 964 132 | 4 530 077 | 7 301 370 | 6 426 812 |
| Europe                    | 4 606 514 | 4 156 084 | 5 725 113 | 4 887 426 |
| Asia                      | 274 794   | 301 259   | 1 154 462 | 1 031 381 |
| Africa                    | 6 282     | 16 032    | 79 234    | 225 779   |
| North and Central America | 60 786    | 47 393    | 247 430   | 200 542   |
| South America             | 10 032    | 4 158     | 92 012    | 79 739    |
| Oceania                   | 5 724     | 5 150     | 3 120     | 1 944     |

Source: <http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?Id=14>

From the above mentioned table we see that Macedonia has trade exchange with EU countries (Germany, Greece, France, Switzerland, Austria, Croatia, Slovenia, Bulgaria) and EU countries occupy the first place and CEFTAS (Albania, Serbia, Kosovo, Montenegro Montenegro) and other countries.



**Figure 1.** Trade exchange by economic groups v. 2011-2015<sup>2</sup>.

## 4. Conclusions and Recommendations

- (1) The economy of northern Macedonia is an integral part of the initiatives for liberalisation and trade facilitation in the region and beyond.
- (2) Trade as a sector is considered as a major engine for the country's economy, and there is a need for a country to undergo a new macroeconomic restructuring regime by implementing major reforms in all sectors.
- (3) The beginnings of Macedonia's trade cooperation date back to the 90s plural system, whereby full diplomatic relations with the EU countries were put in place.
- (4) So in 1995 Macedonia became the beneficiary of the PHARE program as a program of administrative and economic reforms.
- (5) Central European Free Trade Agreement (CEFTA) is a free trade agreement which takes part in the countries of the Western Balkans region.
- (6) Slovenia u bashkua me CEFTA në 1996, Rumaninë në 1997, Bullgarinë në 1999, Kroacinë në 2003 dhe Maqedoninë në 2006 unfavourable payments.
- (7) Republic of Macedonia has recorded a significant increase in volume and trading value with the countries of the world, for example. in 2007 the export value of \$ 3,388 million in 2012, amounted to \$ 4,015 million, while in 2017 it amounted to \$ 5,671 million or the growth was 39.1% since 2007, while the import value was \$ 7720 million.
- (8) In June 2000, Macedonia signed the Free Trade Agreement with the Association European Free Trade Association (EFTA). EFTA had members states like Iceland, Switzerland, Norway and Liechtenstein and so on.
- (9) Capital is located anywhere where you can invest in any venture or in the financial markets of other states that promise great profit.

1 -<http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?Id=14>

2 <http://www.stat.gov.mk/Publikacii/7.4.17.01.pdf>

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