

SERBIA AND NORTH MACEDONIA IN 2023: ECONOMIC RISKS, POLITICAL CHALLENGES AND SECURITY THREATS

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Abstract: The goal of this paper is a comparative analysis of the current and upcoming challenges facing Serbia and North Macedonia in the economic, security, and political context. The research question is following: whether small states, such as Serbia and North Macedonia, can overcome instability in international relations and the region, while at the same time preserving the achieved levels of economic development, security environment and internal political stability. Through a comparative analysis of these two countries, we will present the risks, challenges and threats faced by these two small countries in the current year, as well as what unites and what separates these countries in the context of newly emerging international circumstances. Also, we will analyse the real potentials of regional cooperation in the Western Balkans from the point of view of the interstate cooperation of these two countries, as a potential determinant of creating sustainability and stability in the economic, political and security domains.

Key words: Serbia, North Macedonia, Threats, Risks, Challenges, Economy, Security, Politics, Regional cooperation.

Introduction

If we analyse the relations between Serbia and North Macedonia, in the context of the relations between the countries in the Balkans, we will come to the conclusion that these are relations between two subjects of international law that are not burdened by the consequences of the civil wars of the nineties on the territory of the former Yugoslavia, but also in other neighbouring and bilateral disputes, which is not the usual case in the region. In this case, we are talking about the relations between two countries, which were burdened by an open ecclesiastical issue, i.e., the dispute between the Serbian Orthodox Church and the Macedonian Orthodox Church - Ohrid Archdiocese, which was related to the autocephaly of the Macedonian Church, but after overcoming this dispute, it seems to be a completely stable interstate relations, not burdened by any disputes that would possibly affect the development of mutual relations. In fact, the essence is that the economic relations between Serbia and North Macedonia have always been stable, since the Macedonian independence, through the sanctions during the nineties, which both actors were faced with, until today. On the

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other hand, political relations were mostly stable, burdened by ecclesiastical disputes, but without substantial disagreements. The only political disagreement exists in relation to the unilaterally declared independence of Kosovo*⁶⁵. While Serbia does not recognize Kosovo*'s independence, referring to its Constitution in which Kosovo and Metohija is an autonomous province within the Republic of Serbia, and to Resolution 1244 of the United Nations Security Council, North Macedonia accepts Kosovo*'s independence and conducts bilateral relations with those political entities on levels of interstate relations. But the mentioned political disagreements did not affect the economic cooperation. And it is best evidenced by the launch of the Open Balkans initiative, whose initiators, in addition to Albania, were Serbia and North Macedonia. It is a regional integration project with economic sign, launched at the end of 2019, with the aim of establishing a regional single market based on the example of the single market of the European Union. The Open Balkans actually represents the best example of quality of the relations between Serbia and North Macedonia, which are permeated through the integrated management of border crossings, "green" corridors for goods, but also the creation of a unique identification number in order to establish a unique labour market (Jelisavac Trošić, Mladenović, Đorđević, 2021). However, the relations between these two actors are also determined by other current challenges, such as the energy, political, security, and economic crisis.

In the political context, Serbia and North Macedonia are facing the challenges of slow European integration, which greatly affects the political stability of the region. In terms of energy, both countries are facing with the consequences of the war on the territory of Ukraine, thus trying to ensure energy stability through a joint approach and thereby protect economic growth. In terms of security, in addition to the consequences of the war in Ukraine, which primarily are affecting the slow economic growth and development, Serbia and North Macedonia are facing with the huge waves of migrants through the so-called Balkan route, which also greatly affects the creation of a sustainable security mosaic in the internal context, as well as in the regional.

In fact, there are numerous factors that are determining the cooperation between Serbia and North Macedonia in contemporary Balkan, European and world circumstances. A significant positive contribution in that process is provided by the existing mutual political trust, as well as a common approach in numerous domains, which in the long term contributes not only to the further development of mutual relations between these two actors within the Balkans, but also to the determination of deeper cooperation, integration and understanding in the regional context, which at the moment is not at an enviable level.

Political Challenges: Serbia, North Macedonia, regional issues

Bilateral relations between Macedonia and Serbia are assessed as friendly and cordial, regardless of the fact that politicians, mostly driven by internal political motives, from time to time rhetorically cool them down in the manner of a "marital quarrel" (Filkov, 2019). Several points stand out as possible generators of disagreements between these two countries: the positions toward Kosovo*; the relations of the great powers to the region and the relations of both countries to them; the dispute between the Orthodox churches of the two countries,

⁶⁵ * All references to Kosovo in this document should be understood in the context of United Nations Security Council Resolution 1244 (1999).

which, again, is considered to have the least potential to damage the good neighbourly relations (Filkov, 2019), and we have to point out that it is overcome since last year. In fact, it is a matter of historical friendly, but also pragmatic relations between two actors in the Balkans. First of all, friendly from the perspective of good historical and traditional relations between the two neighbouring nations, and pragmatic from the perspective that both Serbia and North Macedonia need a friend in the region which will be an example of the quality of bilateral relations, in comparison to the bilateral relations with other neighbours which are facing both, Serbia and North Macedonia.

The fact is that Serbia and North Macedonia have no open bilateral issues, neither on the political, nor on the economic, nor on any other level. The different positions in relation to the Kosovo* issue between Belgrade and Skopje do not determine the current development of bilateral relations between these two actors because the relations are based on long-standing friendship, but also on the new economic dynamics in the region within the framework of the Open Balkans initiative. North Macedonia is an important trading partner of Belgrade and is eighth on the list of countries to which Serbia exports the most goods (BBC on Serbian, 2019). The good development of relations between Serbia and North Macedonia is also evidenced by the statement of the Prime Minister of the Republic of Serbia, Ana Brnabić, who pointed out that the economic and political relations between Serbia and North Macedonia are improving, and that the Open Balkans initiative especially contributed to this (Srpska ekonomija, no date). Macedonian Prime Minister Dimitar Kovačevski shares the same view on the relations between Serbia and North Macedonia, who says that Serbia is a strategic partner of North Macedonia, and that there is not a single unresolved problem between the two countries, and that relations are better in recent history, and that Skopje and Belgrade will continue to improve bilateral relations (Glas Amerike, no date).

But in addition to good economic relations, primarily based on developed trade relations, there are regional challenges that most often create certain instabilities in both actors. Disagreements between Belgrade and Pristina largely determine the regional security mosaic, and thus the bilateral relations of actors in the Balkans. In the regional context, Belgrade is alone in its position on Kosovo*, which may not directly, but indirectly affects the relations with other regional actors. In fact, it is much more difficult for Belgrade to establish stable, sustainable, and predictable regional relations with actors which *de jure* undermines the territorial integrity of Serbia. Although official Belgrade does not establish relations with Skopje on those grounds, the disagreements about Kosovo*'s status affect the international positioning of these two actors. In practice it is shown that they are stable good-neighbourly relations, while on the international level, disagreements are more common, especially when regarding the status of Kosovo*. An example of such a scenario is the recent vote within the Committee of Ministers of the Council of Europe when Belgrade opposed the admission of Kosovo* to that European organization, while at the same time Skopje supported the admission of Pristina, even though Kosovo*, in accordance with international law, is not an independent state (Euro news Srbija, 2023). It is about the different positions of Belgrade and Skopje, which at the moment do not essentially determine the bilateral relations between these two Balkan actors, but in theory they can influence the further development of these relations, primarily bearing in mind the influence of international actors in the Balkan region, but also the role the Albanian minority in North Macedonia, as the dominant ethnic group, next to the Macedonian one, on the political scene in Skopje.

In this context, it is important to highlight the fact that in the regional context, relations between Serbia and North Macedonia are mostly determined by the Albanian factor in North Macedonia and Kosovo*. Although the relations between these two actors are not analysed from that angle, but are primarily based on Serbian-Macedonian friendship, as well as on developed economic relations, it is important in contemporary regional circumstances and the dialogue between Belgrade and Pristina to take this determinant as significant for further development relations. This should not be seen in the security context, given the current crisis situation in Kosovo*, but in the political context, respectively, bearing in mind the role of the Albanian community in the region.

Serbia and North Macedonia: economic challenges and bilateral ties

The North Macedonia has signed the following free trade agreements, which are into force: The Central Europe Free Trade Agreement (CEFTA 2006); EFTA; Free Trade Agreement between the Republic of Macedonia and Ukraine; Free Trade Agreement between the Republic of Macedonia and Republic of Turkey; Stabilization and Association Agreement. The North Macedonia is currently applying five free trade agreements covering 40 trading partners: 27 EU Member States, 4 EFTA countries, 7 CEFTA parties, Turkey, and Ukraine (CEFTA a, 2023). The North Macedonia is member of World Trade Organization (WTO) since April 2003. Export of goods from Macedonia is usually free and without restrictions. Import of goods into the Republic of Macedonia is subject to payment of customs duty and value added tax in the amount of 18% (regular rate) or 5% (preferential rate for certain products) (Customs Code, 2005/08).

The free trade agreements concluded and implemented in Serbia so far are as follows: Stabilization and Association Agreement with the European Community (SAS); Free Trade Agreement on Amendment of and Accession to Central European Free Trade Agreement (CEFTA 2006); Free Trade Agreement with Russian Federation, Belarus, Kazakhstan; Free Trade Agreement with Turkey; Free Trade Agreement with EFTA economies (Switzerland, Liechtenstein, Norway, and Iceland). Thus, preferential regime applies to trade with the EU, CEFTA 2006, EFTA, Belarus, Russia, Turkey, and Kazakhstan (CEFTA b, 2023). The Republic of Serbia is in the process of accession to the World Trade Organization and the majority of national regulations are harmonized with the WTO rules and principles. Foreign trade is free and may be restricted only in exceptional cases, in accordance with the provisions of the Law on Foreign Trade Transactions and WTO rules and principles. The level of customs duties for goods imported to Serbia is prescribed by the Customs Tariff Law (The Customs Tariff Law).

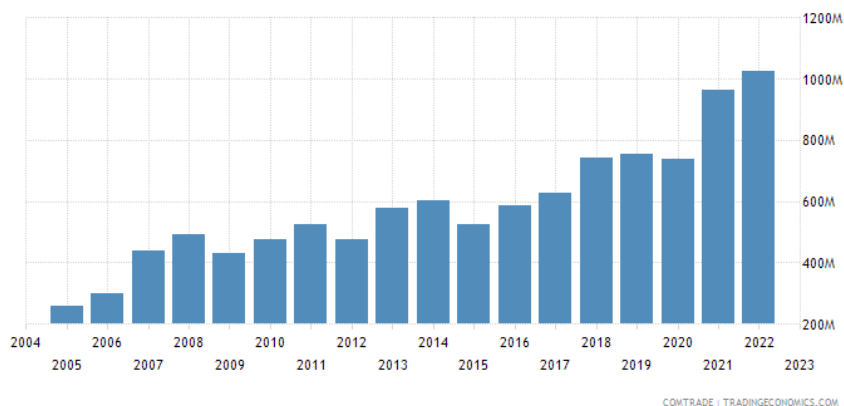
In 2021, Serbia exported 976 million USD to North Macedonia. The main products that Serbia exported to North Macedonia are Insulated Wire (79.1 million USD), Electricity (71.6 million USD), and Scrap Iron (40.2 million USD). During the last 15 years the exports of Serbia to North Macedonia have increased at an annualized rate of 7.75%, from 319 million USD in 2006 to 976 million USD in 2021. In 2009, Serbia exported services to North Macedonia worth 39 million USD, with other business services (12.3 million USD), transportation (5.13 million USD), and communications services (4.12 million USD) being the largest in terms of value (The Observatory of Economic Complexity, 2023).

In 2021, North Macedonia exported 701 million USD to Serbia. The main products that North Macedonia exported to Serbia were Refined Petroleum (76.7 million USD), Coated

Flat-Rolled Iron (54.2 million USD), and Packaged Medicaments (42.6 million USD). During the last 15 years the exports of North Macedonia to Serbia have increased at an annualized rate of 1.53%, from 559 million USD in 2006 to 701 million USD in 2021. In 2021, North Macedonia did not export any services to Serbia (Ibidem).

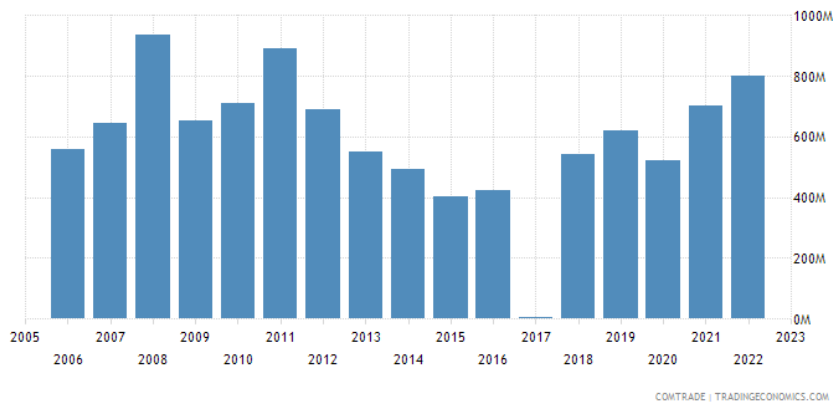
During 2021, Serbia had a large net trade with North Macedonia in the exports of Machines (164 million USD), Foodstuffs (142 million USD), and Metals (111 million USD). During 2021, North Macedonia had a large net trade with Serbia in the exports of Metals (173 million USD), Mineral Products (132 million USD), and Foodstuffs (98.2 million USD). In 2021, Serbia ranked 36 in the Economic Complexity Index (ECI 0.74), and 70 in total exports (26.8 billion USD). That same year, North Macedonia ranked 54 in the Economic Complexity Index (ECI 0.2), and 103 in total exports (8.62 billion USD) (Ibidem).

Image 1 Serbia exports to North Macedonia



North Macedonia exports to Serbia was 800.72 million USD during 2022, according to the United Nations COMTRADE database on international trade (Trading economic, Macedonia, 2023). Serbia exports to North Macedonia was 1.02 billion USD during 2022, according to the United Nations COMTRADE database on international trade (Trading economic, Serbia, 2023).

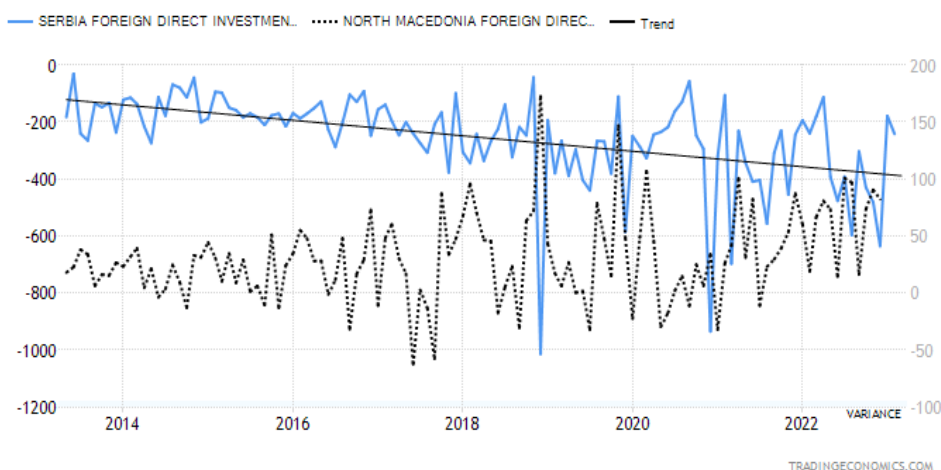
Image 2 North Macedonia exports to Serbia



The Republic of Serbia is Macedonia's largest trade partner of all countries in the Western Balkans region, where about 5% of all Macedonian exports are exported. There is a continuous trade deficit on the Macedonian side in trade with the Republic of Serbia. Observed as a whole, the trade exchange between Macedonia and Serbia has been on the rise in recent years, and expressed in absolute terms, exports and imports are growing. However, Serbia's participation in the total foreign trade of Macedonia and separately in exports and imports are still at a modest level. In the time period 2009-2019, the Republic of North Macedonia has a pronounced comparative advantage in trade with the Republic of Serbia in several sectors: food and live animals, beverages, and tobacco, as well as products classified by material. The Republic of North Macedonia from the Republic of Serbia mostly imports wheat and wheat flour, iron and steel products and electricity. There is a great opportunity for cooperation, especially in the metal, chemical and agricultural sectors. There is great potential for deepening cooperation, especially in the area of innovation, new technologies, services, and easier access of Macedonian and Serbian companies to the third market (Miteva-Kacarski, Panova, Svrtinov, 2020).

Foreign Direct Investment in Serbia averaged -233.14 million USD from 2012 until 2023, reaching an all-time high of 632.20 million USD in January of 2012 and a record low of -1013.90 million USD in December of 2018. Foreign Direct Investment in Serbia decreased by -242.20 million USD in February of 2023 (Serbia Foreign Direct Investment - Net Inflows, 2023). Foreign Direct Investment in North Macedonia averaged 31.14 million EUR from 2003 until 2022, reaching an all-time high of 344.80 million EUR in November of 2006 and a record low of -62.66 million EUR in June of 2017. Foreign Direct Investment in Macedonia increased by 82.28 million EUR in December of 2022 (North Macedonia Foreign Direct Investment, 2023).

Image 3 Foreign Direct Investments – Serbia and North Macedonia



Serbia and North Macedonia on 29 March 2023 signed three agreements to boost bilateral trade and cooperation. The three agreements relate to cross-border movement of goods and people, along with cooperation in mining and energy. Serbian Prime Minister

Ana Brnabić said bilateral trade is nearing €2 billion (\$2.18 billion), a figure 28% higher than 2021. Economic and political ties between the two countries are improving by the day (Ozturk, 2023). Agreement was reached on the completion of the process of securing mutual work permits between the three countries, member-states of the Open Balkans initiative (eKapija, 2023). Speaking about the Open Balkans Initiative, Serbian Prime Minister said that she expects that the implementation and the distribution of a unique identification number that will enable easier movement of workforce will start from 1 July 2023. The economic relations between the two countries, as a consequence of the Open Balkans Initiative, are getting better and better, Serbian Prime Minister assessed and voiced the expectation that this year the trade exchange will exceed 1.5 billion EUR and perhaps reach 2 billion EUR. The Prime Minister pointed out that Serbia's exports to North Macedonia increased by 16 percent, and imports increased too, adding that Serbia is the fourth largest trade partner of North Macedonia, after Germany, Great Britain, and Greece (The Government of the Republic of Serbia, 2023). The reason for that lies in the compatibility of the two economies as well as the good infrastructure connection.

The latest at CEFTA, of which both countries are members, is that CEFTA Parties start applying the transitional rules on the preferential origin of goods from 1 February 2023 to allow companies to benefit from the modernized and simplified rules of origin, and started application of the transitional rules on a bilateral basis (Transitional Pan-Euro-Mediterranean rules). The new rules are more flexible aiming to reduce administrative burden, make trade simpler, provide more opportunities and enable companies to become more competitive in other markets (CEFTA c, 2023).

We see the cooperation of these two countries also in other regional organizations. As an illustration there is Organization of the Black Sea Economic Cooperation (BSEC). The State Union of Serbia and Montenegro joined BSEC in 2004. After the declaration of independence of Montenegro in 2006, the Republic of Serbia continued its membership in the Organization, and Montenegro has not yet expressed interest in becoming a member, but chose to be its sectoral partner. With its 13 member states: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, North Macedonia, Romania, Russia, Serbia, Turkey, and Ukraine, today BSEC aims to foster interaction and harmony among its members, as well as to ensure peace, stability and prosperity, and encourage friendly and good-neighbourly relations in the Black Sea region. BSEC held meetings of working groups that contribute to the improvement of sectoral areas of cooperation among member states.

On April 7, 2023, Serbia and North Macedonia signed a Memorandum of Cooperation between the two countries in the field of European integration. This is another confirmation of the development of overall bilateral relations in the fulfilment of common goals, among which the priority is membership in the European Union. As signatory countries of the Stabilization and Association Agreement, the Open Balkans initiative, as part of the Berlin process, one of the common goals is a stronger, better, and more efficient inclusion in the common market of the European Union. The Open Balkans as an initiative has practically shown how it works according to European rules, at least in certain areas, especially when it comes to infrastructure projects, trade exchange and mobility of citizens, as well as strengthening the economy and creating a stable and favourable investment climate.

Security dimensions of the cooperation between Serbia and North Macedonia

It is known that world crises have a strong impact, or a negative effect, on small countries, and especially on open economies, such as Serbia and North Macedonia. The question is whether these countries, specifically Serbia and Macedonia, can find modalities to alleviate the negative effects coming from abroad, whether it is the energy crisis, the migrant crisis, or the latest Ukrainian crisis. Instability in international relations and the instability in the region is very difficult to predict and overcome, while at the same time preserving the achieved levels of economic development, security environment and internal political stability.

Energy crisis

The period of energy crises is characterized by major disruptions in prices and availability on the world energy market. Energy shortage has a significant negative effect on the economy, especially of developing countries, countries in transition and underdeveloped countries. The negative impact of energy crises is manifested on companies and their profitability, manufacturing, service sectors, health, education, agriculture, and others. As a necessity of life, energy has a significant impact on economic growth and has become the main reason for a country's development and progression (Xu et.al, 2022). Since it is highly critical for business profitability and productivity, and plays an important role in various sectors, the energy crisis has a wide impact on many human activities, so it is therefore a question of the state to prevent or mitigate this impact with its actions.

In the case of Serbia and Macedonia, the fact that both are in different stages of accession negotiations with the European Union should be taken into account, so they must also rely on EU policies and rules in order to protect themselves from the energy crisis. Among others, sustainable development through energy transition stands out as a European value. The key elements of such transition are: the implementation of energy efficiency measures, the use of renewable resources, tackling climate change and environmental protection (Tomic, 2021).

The Energy Sector Development Strategy of the Republic of Serbia up to 2025 with the projections up to 2030, is adopted by the Serbian parliament in 2015. This Strategy defines three main priorities of Serbian energy sector: Energy safety, Energy market, Sustainable development (higher share of renewable energy sources, higher energy efficiency and environmental protection) (One planet, 2022). Given that the strategy was created before the Ukrainian crisis and the reaction of the great powers to the Russian invasion, the Ministry of Mining and Energy is in the process of the preparation Energy Strategy up to 2040 with projections up to 2050. The Integrated national energy and climate plan of the Republic of Serbia for the period from 2021 up to 2030 with the projections up to 2050 is also being prepared. The energy transition and process of decarbonization are analysed in order to provide sustainable development and take into account fair transition and other important aspects as energy security, as Serbian support to the EU policy in the field of energy and climate (Ibidem).

While Europe and other continents faced an unstoppable rise in the prices of energy sources such as oil, gas and coal, Serbia faced a completely separate and isolated problem, which we can call the Serbian energy crisis. Instead of an electric power system that bases

its stability on reliable thermal power plants, we have encountered a system that bases its stability and security of electricity supply on renewable energy sources in the form of hydroelectric power plants and imports from neighbouring countries. Thermal power plants in Serbia provide a stable supply of electricity from its own production, while the natural resources of lignite ensure security and reduce dependence on imports. However, at the moment when the price boom of electricity should have been seized and natural potentials used for increased export of electricity, Serbia by inaction destabilized the electricity system and found itself in a situation to replace the necessary consumption with the import of electricity, which is measured in hundreds of millions of euros. Insufficient planning of all available thermal capacities at a time of historically high prices on the European electricity market, constitutes the Serbian energy crisis (Jovanović, 2022). Currently, more than 70 percent of electricity in Serbia is obtained from coal, so the country has started from a relatively unfavourable position in the energy transition towards renewable energy sources. The dilemma remains whether Serbia can realistically follow the energy transition trends.

On August 25, 2022, the government of North Macedonia made a decision to declare a state of crisis in the energy sector, which will come into force on September 1, 2022. There are two government decisions in question: 1. a decision to declare a state of crisis in the supply of thermal energy in the city of Skopje; 2. decision on the supply of electricity in the entire territory of the Republic of North Macedonia. The purpose is to enable the Government to transfer money from the state budget to the state electricity producer ESM, which will be used for the purchase of coal and fuel oil. As of the first of September, the Government's electricity saving measures came also into force (Radio Slobodna Evropa, 2022).

The Strategy for Energy Development of the Republic of North Macedonia until 2040 provides a platform for the overall energy sector modernisation and transformation in line with EU energy trends. The Strategy integrates climate and environmental aspects of the energy sector, while proposing an affordable, reliable, and sustainable energy for the future. Energy trends are emphasizing more ambitious transition towards low-carbon economy, with renewable energy sources and energy efficiency among the most important enablers of transition. The Strategy paves the way for achieving the vision of secure, efficient, environmentally friendly, and competitive energy system that is capable to support the sustainable economic growth of the country (The Government of the Republic of Macedonia, 2019).

Migrant crisis

The migrant crisis has caused great concern in the Western Balkans region. The Balkan migrant route was the only sustainable passage for the massive influx of migrants from the Middle East and Africa. According to the United Nations, 80% of the almost one million refugees who found refuge in Germany in 2015 went through this route, either registering at the Centre in Preševo, Serbia (600,000) or bypassing it and continuing on (Cocco, 2017, op. cit). Originally, it passed through North Macedonia, Serbia, and Hungary. Serbia's relations with North Macedonia were facilitated by the fact that none of both countries are EU member states. Additionally, both perceived themselves as transit countries, which provided them with mutual "understanding" and enabled sharing of experiences (Perišić, 2018). In an effort to limit the entry of the so-called false asylum seekers, considering them to be economic

migrants, Slovenia and Croatia started to allow entry only to migrants from Afghanistan, Syria and Iraq, from November 2015. Serbia and North Macedonia introduced the same measures, equally unreliable and *ad hoc* determination of the countries of origin of migrants (Perišić, 2018).

The migrant crisis on the so-called Balkan route actually greatly contributed to regional cooperation, but also to bilateral cooperation between Serbia and North Macedonia. Due to the problems and the large number of illegal crossings of the state border between Serbia and North Macedonia, we did not face the discourse of mutual attacks between these two actors in the Balkans, but cooperation in the field of securing the border line was further improved and coordinated. Thus, back in 2015, the Ministry of Internal Affairs of Serbia sent its members to the Macedonian-Greek border in order to support their Macedonian colleagues in securing the border (Politika, 2015). In this context, it is important to point out that the migrant crisis in the Balkans, through the so-called Balkan route, has caused numerous problems and challenges for countries in the region such as Serbia and North Macedonia. The capacities of the countries in the region at the given moment were very limited to deal with such a large wave of refugees. But essentially, the migrant crisis itself contributed in many ways: towards the development of cross-border cooperation on the example of Serbia and North Macedonia, to the bilateral exchange of experiences in creating a security environment, but also to the provision of a joint response to possible new waves of migrants and refugees. Although the European Union has also played a significant role in the process of managing the migrant route in the Balkans, the direct role played by Serbia and North Macedonia in coordination, data exchange and a common approach have greatly contributed to the management of this crisis being realized in a way that would not threaten the security of the local population and at the same time not threaten the basic human rights of migrants and refugees. In fact, Serbia and North Macedonia have represented a kind of barrier to the European borders during the great migrant crises of 2014, 2015 and 2016. In addition to the fact that a huge number of migrants managed to reach their final destination, which were most often Western European countries, it was the authorities in Belgrade and Skopje that have ensured the safe and sustainable transit of these migrants and refugees.

Ukrainian crisis

European Union has imposed numerous packages of sanctions against Russian Federation as a response to Russian military operation on the territory of Ukraine which official Brussels has defined as an aggression against the sovereign and independent state. At the same time EU officials call on official Moscow to immediately cease the hostilities and withdraw its military forces from Ukraine, including fully respect of Ukraine's territorial integrity, sovereignty, and independence (Press Statement of President Charles Michel of the European Council and President Ursula von der Leyen of the European Commission on Russia's unprecedented and unprovoked military aggression of Ukraine, 2022). Simultaneously, European Union has requested alignment with its position by member states, as well as from the states which are already in the process of integration, including Republic of Serbia and North Macedonia.

When it comes to the positions of North Macedonia to the Russian military activities in Ukraine, Macedonian Government has announced that "the Ministry of Foreign Affairs is

in charge of informing, through the permanent mission in Brussels that North Macedonia joins the new package of restrictive measures of the EU Council, together with all previous decisions on restrictive measures from 2014 until now regarding the situation in Ukraine and to start the procedure for their implementation" (Politika, 2022). In that context, North Macedonia has joined all the sanctions adopted by the European Union in response to the Russian military aggression in Ukraine. Starting with the ban on flights for Russian planes, through the ban on the functioning of Russian televisions on the territory of that country and the ban on the operation of Russian banks, to the imposition of sanctions on Russian citizens and the expulsion of some Russian diplomats from North Macedonia (Arnaudov, 2022, 414). Commenting on the current Ukrainian crisis, the Prime Minister of the Republic of North Macedonia, Dimitar Kovacevski, stated that "North Macedonia is a NATO member, and that all decisions adopted by that country are in accordance with the alliance's decisions in the process in which they participate". As he stated, "North Macedonia supports the territorial integrity and sovereignty of Ukraine in the name of protecting international values, but also for the purpose of overall harmonization with economic sanctions imposed by the European Union against Russia, and in order to stop the escalation of this conflict".

From the other side, Serbian authorities has decided not to impose sanctions against Russia with explanation that in this moment it is not in the interest of Serbian national interests. But what is most important in this context, Serbia has condemned military operation of the Russian Federation on the territory of Ukraine within the United Nations, adding that it is unacceptable any violation of the international law, on that basis also violation of the territorial integrity of any state (Arnaudov, 2022, 414). Shortly, after the beginning of the Russian invasion of Ukraine, Serbian authorities have adopted the so-called Conclusion of the National Security Council of the Republic of Serbia, which most clearly states Serbia's position regarding the Ukrainian war. When we say the clearest, from that document we single out two points that clearly indicate that Serbia does not support any aggression on the territory of another state, and in this context on the territory of Ukraine:

- "The Republic of Serbia is committed to respecting the principles of territorial integrity and political independence of states, as one of the basic principles of international law contained in the United Nations Charter and the Helsinki Final Act (1975), which guarantees the right of states to inviolability of borders.
- Starting from Article 16 of the Constitution of the Republic of Serbia, which stipulates that the foreign policy of the Republic of Serbia is based on generally accepted rules and principles of international law, one of the basic principles of foreign policy of the Republic of Serbia is consistent respect for the inviolability of sovereign integrity. As committed to preserving the sovereignty and integrity of its territory, the Republic of Serbia is also committed to respecting the territorial integrity of other sovereign states and the principle that borders can be changed only in accordance with the rules of international law." (RTS, 2022)

However, such a conclusion of the Republic of Serbia was not accepted with enthusiasm within the European Union. Although Serbia has most clearly and directly stated that it condemns the violation of the territorial integrity of any country, and thus clearly stated that it opposes Russian military operations on the territory of Ukraine, the refusal to join European sanctions against the Russian Federation has contributed to this

country facing enormous foreign policy pressures, including threats to freeze the accession negotiation process with Brussels. Member of European Parliament Vladimir Bilcik has stated that "Putin's attack against Ukraine is a watershed moment for the Western Balkans, too. Everyone should therefore understand that Serbia's choice not to join EU sanctions is a defining foreign policy decision for much broader relations between European Union and the Republic of Serbia" (RSE, 2022). Also, spokesperson of the European External Action Service Peter Stano commenting the conclusions of the Council for national security of the Republic of Serbia related to the Ukrainian war has written: "What is at stake is not only Ukraine, but stability in Europe. Not only the EU, but Europe as a continent - that means security and stability of every country. EU sanctions are binding on EU member states and countries that decide to comply with these sanctions. Countries in the accession process are expected to gradually harmonize with EU decisions in foreign and security policy, and that also applies to Serbia as a candidate country" (Radio Slobodna Evropa, 2022).

Since then, Serbian authorities are subject of the continuous pressure by the EU representatives and the political authorities of EU member states requesting from Serbia to impose sanctions against Russian Federation, at the same time explaining that the territorial issues which is facing Serbia with Kosovo* are not the same example, so there should not be place for parallels between Serbian territorial integrity and the question of Ukraine (Arnaudov, 2022). Unlike North Macedonia, which has absolutely harmonized its foreign policy decisions on the issue of the Ukrainian crisis with the decisions of the European Union, Serbia has adopted decisions which, according to the Serbian authorities, are primarily based on national interests. Serbia will not impose sanctions on Russia, but it respects the territorial integrity of Ukraine, said the President of Serbia, Aleksandar Vučić, after the session of the National Security Council (Telegraf, 2022). Also, he pointed out that "Serbia in accordance with its policy and respect for international law, provides support for the integrity and respect for Ukraine's borders. We will be guided by our national interests when considering the need for sanctions. This includes the Russian Federation. We believe that it is not in our vital interest to impose sanctions and added that Serbia was faced with numerous pressures and that decisions were made with a cool head" (Telegraf, 2022). But at the moment, it seems that many international actors do not understand the national interests of Serbia, on the basis of which Serbian foreign policy is based. Not only EU officials, but also representatives of EU member states insist that Serbia impose economic sanctions on the Russian Federation, claiming that it is in line with Belgrade's European integration process, but also that non-imposing will *de facto* mean supporting Moscow in its military operations on the Ukrainian territory, although Serbia has already condemned Russian military aggression at the United Nations level. For example, German Foreign Minister Annalena Baerbock told official Belgrade that if it wants to join the European bloc, Serbia must impose sanctions on Russia for its aggression in Ukraine (RSE, 2022). On the other hand, after the meeting with Serbian President Aleksandar Vučić in Berlin, German Chancellor Olaf Scholz pointed out that "Serbia has repeatedly and unequivocally advocated the position of the European Union in the UN General Assembly that it is a Russian aggression on Ukraine and that it is unacceptable, and added that the fact that we do not agree in every detail is the topic of our talks, but in the end we should not overlook that attitude and such behaviour of Serbia" (Danas/Beta, 2022).

In fact, the Ukrainian war shows the manoeuvring space that small states have in international relations, respectively in creating and conducting their national foreign policy.

In that sense, small states have two options, on the one hand to fully comply with the policy of great powers and blocs or to try, as Serbia has done, to pursue an independent foreign policy based on national interests, but at the same time be subject to reprimands and condemnations. This is clearly seen in the example of Serbia and North Macedonia in the context of the Ukrainian war. The decision of the authorities in North Macedonia to fully harmonize with the policy of the European Union on the issue of the Ukrainian crisis, without explaining to the public how much it is in line with the national interests of that country, was widely approved by European officials. On the other hand, Belgrade's refusal to join the European Union's economic sanctions against the Russian Federation, even though Serbia has condemned Russia's aggression against Ukraine at all international levels, has met with numerous condemnations from European officials, including threats that Serbia's European integration process should be frozen, but also the possibility of imposing economic sanctions to it, and even the withdrawal of investors from European Union countries which are already operating in the Serbian market (Arnaudov, 2022).

From the perspective of regional cooperation and bilateral relations between Serbia and North Macedonia, it seems that the Ukrainian war did not contribute to the negative trend in the development of relations between these two actors. It has already had the opposite effect on both countries establishing stronger cooperation in the field of ensuring energy stability, but also providing mutual assistance in the direction of procuring energy sources and creating a sustainable economic environment (Euronews/Tanjug, 2022).

Conclusion

In the changing geopolitical environment, already several years of transition from one crisis to another, the priority of both countries of the region should, after their own progress, be the stability and development of the Western Balkans. Both countries are focused on joining the EU, so the achievement of this strategic goal would mean a big step towards bringing the entire region in the EU. A secure and prosperous Western Balkans would be beneficial for Serbia and Macedonia, and this synergy would have a positive impact on further economic development and an increased quality of life for its citizens. In this context, economic and trade relations record continuous growth, on the bilateral level, but also within the framework of regional cooperation through the Open Balkans initiatives, as well as the Berlin Process initiatives. Bilateral economic cooperation in the future should be accompanied by economic integration in the direction of creating a common regional market that will dynamize the national economies of Serbia and North Macedonia, as well as the economies of other actors within the Balkan region.

A prerequisite in this direction is political cooperation, coordination, but also mutual trust between political elites. Bearing in mind contemporary security changes in the Balkans, such as the Kosovo* issue, the migrant crisis, the indirect impact of the war in Ukraine, it is important for Serbia and North Macedonia to define the concept of cooperation based on already established relations at the level of importance and necessity of further integrated cooperation. The common foreign policy goal of joining the European Union can represent a good basis for further cooperation between these two actors, but not in the sense of imperative, because regional cooperation in the context of the development of

bilateral relations contributes manifold to Serbia and North Macedonia, and at the same time influences the dynamism of the European integration process.

In fact, Serbia and North Macedonia should take advantage of contemporary challenges at the regional and European level, in the security, political and economic sectors, and on the basis of that, establish a platform that will enable a simpler, more efficient and effective overcoming of this crisis through joint mechanisms, guidelines and strategies. Bearing in mind that we are talking about small countries, a common approach to solving and overcoming contemporary challenges will greatly contribute to Serbia and North Macedonia being more stable and sustainable political actors not only in the regional context, but also in the wider European level.

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