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**THE REPUBLIC OF NORTH
MACEDONIA:
POLITICAL CHANGE, NATO
ACCESSION AND ECONOMIC
TRANSITION**

Report

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	STRUCTURE OF THE MACEDONIAN ECONOMY.....	3
III.	NORTH MACEDONIA IN A REGIONAL SETTING.....	6
IV.	THE ROLE OF THE EU AND OTHER INTERNATIONAL ACTORS.....	8
V.	RELATIONS WITH RUSSIA.....	11
VI.	ENERGY AND ENVIRONMENT	12
VII.	CONCLUSION	14
	BIBLIOGRAPHY	17

I. INTRODUCTION

1. The Republic of North Macedonia is on the cusp of accession to NATO. Following the ratification of the landmark Prespa agreement with Greece that changed the country's name from the former Yugoslav Republic of Macedonia to the Republic of North Macedonia. The name-change accord, which required enormous courage on both sides, essentially brought to a close a 27-year-long diplomatic dispute between the two countries. Moreover, the agreement followed the resolution of Skopje's outstanding disputes with Bulgaria. As a result of these diplomatic breakthroughs, NATO member states are now in the process of ratifying the NATO accession treaty. North Macedonia is expected to become the Alliance's 30th member at some point in 2020 after the last Allied country ratifies the treaty. As of mid-July 2019, 19 NATO members had done so while 10 member countries had not yet completed the process, including the United States. President Trump formally requested Senate ratification on 30 April 2019 (Conley and Melino, 2019).

2. Skopje's aspirations to join NATO were first formally recognised at the Bucharest Summit of 2008, when the Alliance judged that what was then known as the former Yugoslav Republic of Macedonia was technically ready for membership. An eventual invitation, however, was made conditional on the resolution of the name issue with Greece. The invitation to begin accession talks was only extended in July 2018, several weeks after the Prime Ministers of Greece and North Macedonia signed an initial agreement regarding the country's name. In January 2019, both parliaments ratified that agreement. These developments have also improved North Macedonia's prospects for beginning negotiations for European Union membership, although the European Council will have to agree to kickstart these negotiations.

3. The dispute with Greece over the name issue dates back to 1991, when the country declared its independence from the former Yugoslavia and called itself the Republic of Macedonia. Greece objected to this, insisting that "Macedonia" was a purely geographical concept that extended to a large part of northern Greece, including the important port city of Thessaloniki. It saw its neighbour's naming decision as a thinly veiled expansionist claim on northern Greek territory. Furthermore, Greece contested what it viewed as Skopje's appropriation of ancient Macedonian symbols, such as the "Vergina Star" on its flag or, at a later point, the Alexander the Great statues erected as part of a major Skopje 2014 infrastructure project (Santora and Dimishkovski, 2018). In 1992, the country was internationally recognised as the former Yugoslav Republic of Macedonia. From that moment, Greece effectively ensured that North Macedonia's accession to NATO would, at least partly, hinge on resolving the name dispute.

4. North Macedonia has undergone a political transition fraught with pitfalls and as late as 2016 was described in one EU document as undergoing a situation of state capture in which a corrupted elite was purposefully undermining state institutions to strengthen its grip on power (Nikolovski, 2019). It is worth noting that North Macedonia had peacefully negotiated its independence from Yugoslavia and, as a consequence, was initially spared much of the interethnic conflict and violence that engulfed the Balkans in the early 1990s. But there were nonetheless serious internal and ethnic tensions and conflict did, in fact, break out in February 2001. The country's Albanian minority harboured a number of grievances and felt disenfranchised, particularly with regard to language, political rights, and residency issues (Ceka, 2018). These grievances culminated in an armed uprising staged by ethnic Albanian rebels in February 2001. The NATO-brokered Ohrid Framework Agreement signed in August of 2001 brought the rebellion to an end and guaranteed greater minority representation. But tensions nonetheless persisted. From 2006 to 2016, the conservative VMRO-DPMNE party and its leader, Mr Nikola Gruevski, dominated politics in the country and provoked disquiet among NATO Allies, who worried about the state of the country's transition and simmering ethnic and sectarian tensions which government policy had only further provoked. During this period, and particularly throughout its latter years, the rule of law, human rights protection, and freedom of the media deteriorated while cronyism and corruption thrived. Democratic backsliding

came to a head in 2015, when a consequential wiretapping scandal “revealed corruption, electoral fraud and outright criminality at the most senior levels of government” (Less, 2016).

5. What followed were two years of massive anti-government protests, including an assault on parliament, ethnic violence, illegal wiretapping carried out by state security officials, criminal proceedings, and international mediation. It was only in June 2017, when voters elected a new government, led by Zoran Zaev and his social-democratic SDSM party, that the country began to move in a more democratic, reformist, and Western direction.

6. The new administration set about guaranteeing fairer media funding, placing the secret police under greater democratic oversight, repairing relations with Bulgaria, according the Albanian language official national recognition, and accelerating the campaign for NATO and EU membership (Wintour, 2017). At the same time, the previous governing party embarked on a welcome series of internal reforms that could strengthen the country’s democratic institutions while the former Prime Minister, Nikola Gruevski, left the country and was granted asylum in Hungary after being found guilty of corruption. Judicial authorities are also investigating Mr Gruevski’s role in the attacks on parliament. In 2018, Freedom House classified North Macedonia as a “transitional government/hybrid regime”, although its democracy score had improved compared to the previous year – the first improvement registered after seven consecutive years of deterioration (Freedom House, 2018).

7. Despite recent progress, the Republic of North Macedonia confronts myriad challenges. Firstly, the country has no historic “tradition of democracy or markets” and the level of political polarisation remains high (Less, 2016). For example, the VMRO-DPMNE, which is now in opposition, sharply opposed the name change, would still like to revisit a number of clauses in the Prespa agreement, and accuses Mr Zaev’s government of inadequate patriotism. Although Mr Zaev’s government has broken with the divisive nationalist politics practised by the previous administration, there are “structural reasons” to believe that ethnic and sectarian tensions will continue to play a prominent role in the country’s politics (Ceka, 2018). The VMRO-DPMNE’s strong opposition to a language law that extended the official use of Albanian across the country in March 2018 is a case in point. Ethnic Albanians constitute roughly 25 % of the population and have confronted systematic discrimination in the past. Healing these divisions will not be easy and will require the engagement of the entire society and not just a narrow stratum of elites. Progress has been made, for example, in integrating the military and extending language rights, but significantly more work will be needed.

8. Even prior to the name change accord, NATO and North Macedonia maintained excellent working relations. Skopje joined the Partnership for Peace in 1995 and has since supported a number of NATO missions both in and beyond the region, including in Kosovo and Afghanistan. NATO provided assistance during the uprising led by ethnic Albanian insurgents in 2001 and operates a military liaison office there. The government has committed to achieving NATO’s 2% defense spending commitment by 2024 and expects to dedicate 20% of its defense budget to modernisation efforts by 2020. It participates in myriad NATO and US exercises each year. The Defense Minister told members of this sub-committee that her country provides essential support for NATO’s Kosovo Force and will continue to make its training site, Krivolak, available to NATO forces (NATO PA, 2019). This June, for example, more than 2,000 soldiers from North Macedonia, the United States, Bulgaria, Albania, Montenegro, and Lithuania took part in joint exercises at the Krivolak Training center in central North Macedonia (AVIM and Balkan Insight, 2019).

9. Accession to NATO is likely to benefit North Macedonia on a number of fronts. Firstly, belonging to NATO’s broader security mechanism reinforces stability and dramatically mitigates the risk of any redrawing of borders as a result of ethnic or regional tensions. It also reduces the scope for Russian interference in domestic affairs. Thirdly, the stability and security that NATO membership accords can reassure markets, at the margins at least, attract foreign direct investment, and even help lower interest rates, provided the government follows sound macroeconomic policies and advances its reform agenda (Casule, 2018). For NATO, North Macedonia’s accession is significant

because it represents a further step towards ensuring both domestic and regional stability, both of which could discourage Russian aggression in the Western Balkans. It should also help contain any potential spillover from tensions between Pristina and Belgrade and within Bosnia and Herzegovina. Finally, in inviting North Macedonia to join the Alliance, NATO revivifies its “open door” policy and reminds the international community that aspiring European states that are interested in joining the Alliance and meet the criteria for membership are welcome (Wilson and Kramer, 2018).

10. The Economics and Security Committee of the NATO Parliamentary Assembly maintains a long tradition of analysing the Western Balkans and conducting country studies of NATO candidates. This report follows in this tradition. As North Macedonia enters the final phase of the accession process, it will inevitably need to begin to focus more energy and expend more political capital on economic reform. This will be essential as the country has only undergone a partial institutional, economic, and political transition. Completing that transition will not only reinforce internal stability, it will also contribute to the country’s nascent democratic culture and move it closer towards eventual EU accession, another aspiration of the government and many of the country’s citizens.

II. STRUCTURE OF THE MACEDONIAN ECONOMY

11. As a constituent republic of Yugoslavia, the economy of what was then known as the Socialist Republic of Macedonia functioned within the Yugoslav model of socialism between 1945 and 1991. The key tenets of that model were workers’ self-management, significant decentralisation, and social ownership of the means of production (Uvalić, 2018). It was the second poorest of the Yugoslav republics, with income per capita at 65% of the country’s average in 1984 (World Bank, 2018b). The Republic received significant aid transfers from wealthier regions of the federation throughout the socialist period. In 1965, federal aid to the Republic accounted for approximately 20% of gross investment (Kukić, 2017). The Republic’s economy, however, was closely integrated with the rest of Yugoslavia, although it only accounted for about 5% of total Yugoslav output (World Bank Group, 2018). In 1990, its main exports were iron and steel (30%), clothes (18.6%), and shoes (7.5%) (Petkovski and Slaveski, 2017). These are obviously not the kind of industries that are flourishing in contemporary Europe, and this industrial legacy partly accounts for the economic difficulties the country has faced since independence.

12. The country’s economy was acutely vulnerable during the early years of transition. In the first five years following independence, GDP declined by 21%. This was linked not only to serious structural problems associated with the legacy of socialist management, but also to the economic sanctions levied on Serbia, which was then Skopje’s largest trading partner, as well as the economic blockade that Greece imposed on it in 1994-1995. Hyperinflation, loss of markets, and disruption of production chains stemming from the collapse of an integrated Yugoslav economy all contributed to rapid economic deterioration. However, the government swiftly undertook a series of structural, market-oriented reforms with the aim of acceding to the Central European Free Trade Agreement (CEFTA), the World Trade Organization (WTO), and over the longer term, the European Union (World Bank, 2018b). Output eventually stabilised in 1996 (Rubeli, 2000).

13. Between 2000 and 2017, the country’s GDP per capita increased by 51%, from USD 9,000 to USD 13,000 when adjusted by purchasing power of parity (World Bank, 2018b). The largest growth in GDP (between 4-6.5%) unfolded between 2004-2008 (Marusic, 2018). In 2008 the country jumped from a lower-middle- to an upper-middle-income designation (World Bank, 2018b). The global financial crisis, however, represented a setback, although its adverse effects were mitigated by the resilience of the country’s banking sector and its low level of exposure to international capital markets. Growth slipped again during the 2015-2017 political crisis, as political uncertainty gravely undermined the investment climate (World Bank, 2017). Since the formation of a new, reform-oriented government in June 2017, however, the economic outlook has grown more positive, with the European Commission predicting GDP growth of 2.1% in 2018 and 2.9% in 2019 (Jonuzaj,

2018). This rate is not sufficient to close the gap with EU countries, and most experts argue that achieving higher sustained rates of growth will demand even deeper structural and political reforms.

14. North Macedonia's recent economic progress is reflected in a number of indicators. In 2016, it was the world's 3^d largest recipient of greenfield Foreign Direct Investment (FDI) per capita, according to the Greenfield FDI Performance Index of 94 countries (Barklie, 2017). In 2018 net FDI increased to USD 737 million, compared to USD 205 million in 2017 (Santander, n.d.). Its ranking in terms of ease of doing business has increased every year but one since 2011, from 34/183 then to its current ranking of 10/190 in 2018 – an impressive and consequential condition linked to a very smart set of reforms aiming to reduce red tape on companies (World Bank, 2018a). It should be noted, however, that the scope of the doing-business study is somewhat limited and fails to adequately factor in the burdensome problem of pervasive corruption which, itself, remains a very serious impediment to investment, growth, and convergence with Europe (NATO PA, 2019). Indeed, the country ranked 93^d of 180 countries in Transparency International's 2018 Corruption Perception Index. A 2018 Transparency International paper reported that: "although progress has been made in establishing the legal and institutional framework for fighting corruption, implementation of anti-corruption laws and independent handling of corruption cases by the relevant supervisory bodies and courts remains a major challenge. Political corruption manifested through instances of abuse of power, conflict of interest and dubious practices of financing political parties and election campaigns is widespread, while political interference in all spheres of governance seriously hampers the implementation of anti-corruption reforms" (Transparency International, 2014).

15. The poverty rate in North Macedonia has fallen impressively over the past decade, from 29% in 2009 to 20.5% in 2018 (Tanev, 2018). In this time frame, unemployment fell by nearly 10 percentage points, to a low of 20.7% in 2018 (ILO, 2019). However notable, these statistics do not tell the whole story. The decrease in poverty has not been accompanied by a fall in vulnerability. Between 2009 and 2018 approximately 35% of the population remained in a "vulnerable" position (i.e. suspended between lower and middle class) (World Bank, 2018b). Moreover, North Macedonia has the highest youth unemployment rate and one of the largest gender gaps in labour-force participation rates amongst European and Central Asian countries (World Bank, 2018b). This is also a driver of mass youth emigration, which, in turn, has precipitated a brain drain that imperils the country's long-term economic development. Finally, the World Bank points out that, despite the progress it has made on a number of fronts, North Macedonia lags behind its peer countries in terms of labour productivity, school enrolment, child mortality, and size of the middle class (World Bank, 2018b).

16. For a small economy like North Macedonia, integration into the global economy is of paramount importance. It has wisely sought to affiliate itself with institutions and networks that can help it achieve higher levels of economic integration. The country joined the WTO in 2003, was officially accorded candidate status for EU membership in 2005, and in 2006 joined CEFTA, a trade agreement among non-EU countries in south eastern Europe. The EU is currently North Macedonia's largest trading partner, accounting for 71% of its trade in 2017 (European Commission, 2018). Between 2001 and 2014, Macedonian exports to the EU increased by 525% while imports from the EU jumped by 265% - a telling reflection of a fundamental reorientation in the direction of trade (World Bank, 2018b). The country's current-account deficit has recently fallen from 2.7% of GDP in 2016 to a very manageable 0.3% in 2018 (European Commission, March 2019). Although North Macedonia's main comparative advantage lies in food and textile production, the composition of its exports is steadily diversifying, with the share of chemicals, machinery, and electrical components in overall exports rising between 2006 and 2016 (World Bank, 2018b). Along with transport equipment, the three latter categories now account for over 60% of North Macedonia's total exports (European Commission, 2018).

17. In recent years, the government of North Macedonia has pursued an expansionary fiscal policy. The World Bank judges that while this has helped spur economic growth, employment, and poverty reduction, there is very little fiscal capacity for continued countercyclical spending, as the public-debt-to-GDP ratio has jumped from 23% of GDP in 2008 to 47.6% in 2017. As the Macedonian population ages, the pension deficit which now stands at over 4% of GDP is rising and thus constitutes a worrying fiscal risk (World Bank, 2018b). When it comes to the financial sector, the International Monetary Fund (IMF) notes that Macedonian banks are “well capitalized, liquid and profitable” and that the past decade has seen a significant improvement in “financial sector regulation and supervision” (IMF, 2019). However, the IMF points to the need to further enhance “supervisory effectiveness” and ensure central bank independence (IMF, 2019).

18. North Macedonia has legitimate grounds to portray itself as a “solid production base” with easy access to the EU market and its 500 million consumers (Department for International Trade, 2018). The country’s trade with the EU is almost fully liberalised. North Macedonia offers comparatively low operating costs, competitive wages, and abundant financial incentives to investors (DIT, 2018; IMF, 2019). Furthermore, Mr Zaev’s government seems seriously committed to carrying out additional structural reform (European Commission, 2018). The prospect of NATO accession and deepening ties with the EU are likely to accelerate the reform process and thereby boost investor confidence while attracting additional capital inflows.

19. Further, reform remains essential given the structural weaknesses that continue to afflict the Macedonian economy and to concern potential investors. The labour market is characterised by a 22.4% unemployment rate and low labour-force participation (Reuters, 2018). The IMF notes that there are significant skills shortages and mismatches in the country, linked to poor-quality secondary education, to underdeveloped vocational training, and to the fact that an estimated 32% of North Macedonia’s high-skilled workers have emigrated abroad (World Bank, 2018b; IMF, 2019). North Macedonia scores very low on the OECD’s Programme for International Student Assessment (PISA) study comparing education standards among developed and certain developing countries, and there is a clear disparity between what is taught in the schools and the skills the country needs to begin to converge with Europe. Tensions between the language communities and a lack of public support for change have long hampered comprehensive education reform in the country (NATO PA, 2019).

20. The IMF has suggested that North Macedonia needs to slow down the outflow of people educated while aligning tertiary education more closely with the skills demanded by the economy (IMF, 2019). Human-capital weaknesses strongly hinder productivity growth. According to World Bank estimates, the average manufacturing or services worker in the Europe and Central Asia region is four times more productive than a Macedonian worker. Low productivity is also evident in the large number of small and uncompetitive firms, as well as the relatively minor role played by the service sector in total exports (25%) (World Bank, 2018b).

21. Although North Macedonia has significantly improved the business climate through a series of market-oriented reforms, weaknesses on this front continue to undermine productivity growth. Inefficient customs and border management clearly reduce firms’ capacity and inclination to export, while cumbersome regulations as well as frequent, unpredictable, and often non-transparent regulatory changes discourage investment and make it difficult for firms to plan. The Law on Value-Added Tax, for example, has been changed 15 times over the past 13 years, while the Law on Profit Tax has undergone 17 revisions in 20 years. This kind of legal instability obviously clouds the horizon for investors (World Bank, 2018b). A network of customs-free zones has helped attract FDI, but this is not a long-term solution, and there are real fiscal costs to maintaining such systems.

22. These contradictions are reflected in several comparative economic studies. Out of 140 countries studied, North Macedonia ranked 109th in terms of “burden of government regulation”, 128th in judicial independence, and 129th in terms of “efficiency of legal framework in settling disputes” in the Global Competitiveness Report 2018 (World Economic Forum, 2018). The Council

of the European Union links North Macedonia's imperfect law and contract enforcement to an "insufficient institutional capacity of civil courts for commercial dispute settlement". Although the country ranks highly in the Doing Business Report, it must be noted that this ranking is based on legal provisions rather than the conduct of policy, and analysts thus need to take this study and its very high ranking for North Macedonia with a grain of salt.

23. North Macedonia's large shadow economy – estimated to represent around 30% of GDP – further reduces the competitiveness of the formal private sector and, by perpetuating tax evasion, microenterprise dominance, and uneven enforcement of regulations, negatively impacts the country's general business environment (European Commission, 2018; IMF, 2019). Also detrimental for investor confidence and economic growth are governance deficits in terms of voice, accountability, and corruption control (World Bank, 2018b).

III. NORTH MACEDONIA IN A REGIONAL SETTING

24. The Western Balkan economies share a number of structural characteristics. They are all small and remain relatively underdeveloped, "with average GDP per capita in Purchasing Power Standards (PPS) at approximately one-third of the EU level". All have persistent current account deficits, primarily due to significant merchandise-trade deficits. The largest trading partner of most Western Balkan countries (in terms of both exports and imports) is the EU, and growth rates in the region tend to be highly correlated with each other and with that of the EU. Furthermore, the amount and quality of transport infrastructure across the region are low, and this obviously impedes regional trade.

25. Since 2006, the Western Balkan economies have been linked through the Central European Free Trade Agreement. The Visegrád Group founded CEFTA in 1992 as a transitional organisation for countries negotiating to join the European Union. Following the Visegrád countries' accession to the EU, CEFTA evolved to include Albania, Bosnia and Herzegovina, North Macedonia, Moldova, Montenegro, Serbia, and the United Nations Mission in Kosovo (UNMIK) (on behalf of Kosovo). All the new members apart from Moldova have signed Stabilisation and Association Agreements with the EU. The extension of CEFTA consolidated 32 bilateral free trade agreements (FTA) into a single Regional Trade Agreement and thus legally liberalised over 90% of trade in the Western Balkans (Siljak, 2019). CEFTA established regional tariff-free trade in goods, removing existing quantitative restrictions and prohibiting the introduction of new ones. CEFTA members are also working to eliminate administrative barriers to trade in the region and to negotiate new protocols on dispute settlement, electronic commerce, and external tariffs. Moreover, during the 2017 Western Balkans Summit in Trieste, leaders of CEFTA countries signed up to a Multi-Annual Action Plan (MAP) for a Regional Economic Area. The MAP seeks to upgrade CEFTA through the gradual liberalisation of "services, investment and employment", with the aim of accelerating economic integration and development in the region (Kaloyanchev et al., 2018). It also works to enhance export-oriented services by removing obstacles to the free movement of highly skilled workers in the Western Balkans.

26. Fostering greater regional economic integration is advantageous for North Macedonia and the other Western Balkan countries for myriad reasons. Firstly, it increases the size and scope of the regional market and thus renders it more attractive to foreign investors. Secondly, it encourages more competition amongst smaller local firms, spurring productivity growth and consolidation and thus better positioning these companies to jump into European and global markets. Thirdly, deeper economic integration "can contribute critically to political and institutional stability by forcing local institutions to follow supranational regulations and intensifying the rule of law" (World Bank, 2018b). Fourthly, it can both facilitate and accelerate the EU accession process for countries in the region (Loxha, 2018; World Bank, 2018). When European Commission President Jean-Claude Juncker announced that there would be no new enlargement of the EU during his mandate, German Chancellor Angela Merkel helped initiate the so-called Berlin Process to reinforce regional

integration and to keep these countries focused on integration even without the immediate prospect of accession. Of course, the EU must eventually show itself ready for new members to galvanise these efforts. It is hardly surprising that Germany has played a leading role in fostering dialogue and reconciliation in the region and strongly supported the Prespa talks (Nikolovski, 2019).

27. The scope for deeper economic integration in the Western Balkans is significant. Intra-regional trade remains geographically concentrated and generally lower in value than is the trade with the EU (Kaloyanchev et al., 2018). Food is the predominant type of traded good among CEFTA countries, whereas manufactured goods prevail in terms of exports to the EU (EIU, 2017). A range of non-tariff barriers and national-treatment regulations have complicated trade and investment within CEFTA. Nevertheless, in 2017 alone, intra-CEFTA trade grew by over 13%, after years of stagnation (European Interest, 2018). In 2016, roughly 50% of intra-regional exports originated from Serbia and just over a fifth from North Macedonia. Of all the Western Balkan countries, intra-regional exports actually form the highest proportion of GDP in North Macedonia (at 12%), followed by Serbia (at 8%) and Bosnia and Herzegovina (at 5%) (Kaloyanchev et al., 2018). The World Bank notes that, not coincidentally, North Macedonia is the most open to trade of all the Western Balkan countries. That said, 80% of its exports still go to the EU and only about 10% to fellow CEFTA countries, demonstrating the underutilisation of regional trading opportunities and the persistent *de facto* barriers to trade among Western Balkan neighbours (World Bank, 2018b).

28. Indeed, there is a range of barriers complicating efforts to galvanise deeper Western Balkan economic integration. Almost half of the CEFTA member countries (namely Serbia, Bosnia and Herzegovina, and Kosovo) are not World Trade Organization (WTO) members, which means that the WTO's Trade Facilitation Agreement does not apply directly to them. In light of this, CEFTA includes a special trade-facilitation instrument – CEFTA Additional Protocol 5 – but it has proven persistently difficult to eliminate administrative barriers to trade within the region. Furthermore, the majority of CEFTA countries do not employ single administrative windows (Bjelic, 2018). In North Macedonia, SMEs, in particular, face many non-tariff, administrative, and technical barriers to trade. A simplification of inspections and clearance procedures would obviously facilitate more trade among these countries. Economic integration is further complicated by long-standing bilateral and internal disputes in the region – serious tensions persist between Pristina and Belgrade, while Bosnia and Herzegovina is gravely undermined by intercommunity tensions and deeply entrenched corruption (Loxha, 2018). These tensions invariably spill over into the trade realm. Pristina, for example, raised tariffs on goods from two CEFTA countries in November 2018 when they voted against its membership in Interpol and UNESCO.

29. There are a number of regional initiatives that seek to foster greater cooperation among Western Balkan countries besides CEFTA, including the “South East European Cooperation Process, the Regional Cooperation Council. [...] the Western Balkans Six, the Energy Community Treaty, the European Common Aviation Area Agreement, the Central European Initiative, the Regional Initiative for Migration and Asylum, and RECOM”. North Macedonia has “participated actively” in all of these (European Commission, 2018). Particular progress has been made with regard to connectivity, as demonstrated by the signing of an agreement during the 2016 Western Balkans Summit in Paris to establish a regional market for electricity (European Commission, 2016).

30. All of the Western Balkan countries have an EU membership perspective, as was first recognised at the Feira European Council in 2000 and recently reaffirmed at the Sofia European Council in 2018 (European Commission, 2019). The EU has now signed bilateral free trade agreements, known as Stabilisation and Association Agreements (SAAs), with each of the Western Balkans Six. Serbia and Montenegro are currently conducting accession talks, and many observers suggest that they are most likely to be the first of these candidates to accede to the Union, although there is much work to be done. Now that the name dispute has been settled, the European Commission is in a better position to open accession talks with North Macedonia. The European

perspective clearly has positive implications for regional cooperation in the Western Balkans, as accession requires good neighbourly relations and the resolution of border disputes.

31. By contrast, the Western Balkans Six do not have a shared perspective on NATO membership. Albania and Montenegro joined the Alliance in 2009 and 2017 respectively. North Macedonia will become a member once all the Allies have ratified the Accession Treaty, whereas Bosnia and Herzegovina has participated in the Membership Action Plan (MAP) since 2010 but needs to “continue pursuing democratic and defence reforms to fulfil its NATO aspirations” (NATO, 2018). Serbia maintains a policy of military neutrality and has no plans to join NATO; public opinion there remains largely opposed to membership ever since the 1999 NATO bombing campaign in former Yugoslavia (Maza, 2018). Serbia, however, is a NATO partner country, participates in the Partnership for Peace programme, and hosted a large-scale disaster response NATO-led exercise in October 2018 (Delauney, 2018). It also maintains a good relationship with Russia and has conducted a number of joint military exercises with Russian forces in addition to the many exercises it has conducted with NATO.

32. On a more positive bilateral note, Bulgaria and North Macedonia have made great strides in mending their relations after over two decades of tension. In doing so, they have made an enormous contribution to regional stability and peace. This progress was reflected in a friendship treaty signed in August 2017, in which the two countries pledged to strengthen economic links, improve human and minority rights, and renounce territorial claims on each other’s territory. Importantly, Bulgaria promised to support North Macedonia in its quest to join NATO and the EU. The historic dispute between Bulgaria and North Macedonia paradoxically centred around shared historical and cultural ties between the two countries, with Bulgaria long refusing to recognise the existence of a separate Macedonian nationality or language. The treaty did not resolve these issues completely but did envisage the creation of a commission to try and reconcile the two competing visions of history and identity (Marusic and Cheresheva, 2018).

IV. THE ROLE OF THE EU AND OTHER INTERNATIONAL ACTORS

33. North Macedonia began the formal process to join the European Union 18 years ago. In April 2001, it became the first country in the Western Balkans to sign a Stabilisation and Association Agreement with the EU. That agreement came into force in 2004, and in December 2005 the European Council officially accorded the country EU-membership candidate status. In 2009, and in recognition of the country’s progress towards implementing the EU’s *acquis communautaire*, the European Commission recommended to the Council that accession negotiations with Skopje be commenced. This recommendation was subsequently repeated in three consecutive Commission reports, but Greece vetoed the recommendation each time because of the name dispute (World Bank, 2018b). Following the resolution of this dispute in June 2018, the EU’s General Affairs Council was able to “set out the path towards opening accession negotiations” with North Macedonia, establishing a provisional date of June 2019 for Council consideration (Council of the EU, 2018). The majority of EU member states were in favour of opening these negotiations already in June 2018, although France, the Netherlands, and Denmark voiced concerns. Their argument related to how imminent accession talks would play into the hands of anti-immigrant right-wing parties across Europe and concerns that North Macedonia had made insufficient progress with its reforms. As a result, the June 2019 date was made dependent on further improvements in strengthening the rule of law, tackling corruption, and fighting organised crime (Barigazzi, 2019).

34. On May 29th, 2019, the European Commission recommended opening accession talks with North Macedonia and Albania as soon as feasible. The recommendation of the Commission was premised on progress on regional cooperation and specifically the Prespa agreement, as well as critical structural reforms, adoption of laws aligned with the *acquis*, successful efforts to bolster the country’s democratic culture, anti-corruption measures, and other reforms carried out in the judicial and economic fields in North Macedonia (European Commission, May 2019). The Commission

recognised that there is more to do on many fronts but was also justifiably concerned that delaying the process could strengthen anti-EU forces not only in North Macedonia but throughout the Western Balkans. This June, however, EU ministers, meeting at the General Affairs Council in Luxembourg, decided to again postpone the decision of opening talks with North Macedonia and Albania to October 2019. France, the Netherlands, and Denmark opposed tendering offers to the two countries to begin accession talks for several different reasons, including concerns about problems of corruption and organised crime and the notion that the EU needs to strengthen its institutions and decision making before embarking upon another round of enlargement. The Council, however, did note the progress made by Albania and North Macedonia in reforming their judiciary, while countering corruption, organised crime and money laundering (Palickova, 2019). Many member states were disappointed with the results of the June 2019 meeting and a number of analysts felt that the failure to begin talks undermines the credibility of the European Union and leaves the region vulnerable to Russian and Chinese influence as well as anti-democratic forces within these societies (Barigazzi, 2019)

35. As previously mentioned, the EU is currently North Macedonia's largest trade and investment partner. In 2018, the EU received 82% of the country's exports and provided 64.2% of its imports. The share of manufacturing in total Macedonian merchandise exports increased from 71.8% in 2012 to 82.3% in 2017 (WTO, n.d.). The share of EU investments in total foreign investment rose to 79% in 2016, after a five-year period of stagnation (European Commission, 2018). North Macedonia has enjoyed access funds from the Instrument for Pre-accession Assistance (IPA) since 2007, when it became the first country in the Western Balkans to sign a Financing Agreement with the EU. These funds have supported the harmonisation of North Macedonian national legislation with the EU's *acquis communautaire*. The European Commission is currently debating the establishment of a new IPA framework for 2021-2027 (European Parliament, 2018). Under the IPA II (2014-2020), North Macedonia's funding allocation stood at EUR 664.2 million. The priority sectors for EU funds include democracy and governance; rule of law and fundamental rights; environment and climate action; transport; competitiveness and innovation; social development; agriculture and rural development; and regional and territorial cooperation (European Commission, 2019).

36. North Macedonia has made important progress in implementing the EU's *acquis* since becoming a candidate country for EU membership. According to a recent European Commission assessment report, published in April 2018, North Macedonia is now "moderately prepared" for membership in most areas covered by the *acquis*. It displays a "good level of preparation" with regard to 6 of the 33 chapters, including in company law, customs union, trans-European transport networks, and food safety. Further improvement is needed on all fronts, but particularly in the two areas for which preparations are still at an "early stage" – namely free movement of workers, and financial and budgetary provisions (European Commission, 2018). Nonetheless, according to the Think for Europe Network, which brings together a set of research institutes from across the Western Balkans, North Macedonia is at a more advanced level of preparedness than are Serbia and Montenegro, the two other leading candidates for EU accession (Cvijic, 2019).

37. A number of hurdles continue to complicate North Macedonia's path to EU accession. Firstly, although the country has adopted laws to create judicial institutions and frameworks similar to those that prevail across the EU, a wide gap still exists between the law as written and its actual implementation (World Bank, 2018b). Indeed, this gap widened substantially during the last years of Nikola Gruevski's rule. In 2015, the European Commission tasked a group of experts on the rule of law with compiling concrete recommendations for the country in this regard, resulting in a list of "Urgent Reform Priorities". Since the resolution of the political crisis, Zoran Zaev's government has adopted a new more credible judicial reform strategy. Fully implementing the envisaged reforms, however, will be a long and difficult process. Despite improvements in both the legislative framework and the prosecution track record, corruption remains widespread and will very likely prove difficult to address.

38. Political interference also “remains a risk”, and institutions charged with tackling corruption in the past have simply not been up to the task (EU Commission, 2018). The current government, however, has also made progress in the fight against corruption. In January 2019, the Parliament of North Macedonia passed a Law for Prevention of Corruption and Conflict of Interests which established procedures for transparently selecting members for the Anticorruption Commission, while giving that body the tools to undertake strong anticorruption initiatives (Conley and Melino, 2019). This commission, in close consultation with civil society, enjoys powerful investigative powers and could represent a promising breakthrough. It has already begun to demand greater financial transparency of the political class, including members of parliament. But addressing pervasive corruption and nepotism operating at all levels of society will demand serious institutional and structural reforms, including a difficult judicial reorganisation (NATO PA, 2019).

39. Alongside problems of incomplete democratic and economic transition, North Macedonia’s accession to the EU could be threatened by political factors in EU member states as well as in North Macedonia itself. A Greek government could theoretically seek to block North Macedonia’s accession process by raising issues related to the implementation of that agreement. The process could also be called into question as a result of developments in North Macedonia itself, if, for example, a future government dominated by those opposed to the terms of the Prespa agreement were to delay implementation of certain elements of it. Finally, although the EU launched six new initiatives collectively labelled a “credible enlargement perspective for an enhanced EU engagement with the Western Balkans” in February 2018, it does not currently speak with a united voice when it comes to enlargement. Several EU member states have expressed a preference for deepening over widening and voiced concerns about democratic backsliding and rule of law issues within the current EU configuration (Open Society, 2019). This was made apparent at the June 2019 General Affairs Council meeting described above. Overall, North Macedonia’s path to EU accession will be much longer and probably more difficult than was its quest to become a member of NATO.

40. At the same time, it is important to consider that stalling accession negotiations for too long could be dangerous. It could, for example, legitimise the currently small group of Russian-supported Macedonian proponents of a “multi-vector foreign policy” (Open Society, 2019). This, in turn, would create space for Russia to interfere more actively in the country’s internal affairs. In order to avoid this particular scenario, the EU and NATO should do as much as possible to encourage a timely and faithful implementation of the Prespa agreement, perhaps even by adopting, alongside North Macedonia, a concrete implementation roadmap (Open Society, 2019).

41. North Macedonia also receives important support from the World Bank, the IMF, and the United States. As of April 2018, the World Bank had lent the country USD 348.9 million and launched 7 projects there as part of its Country Partnership Strategy (CPS). The World Bank’s resources are focused on “complementing and improving the absorption of the EU’s IPA funds”, particularly in the areas of growth, competitiveness, skills, and inclusion. In November 2018, the World Bank produced a Systemic Country Diagnostic assessing North Macedonia’s economic development since independence. A new CPS for the 2019-2022 period is currently under discussion (World Bank, 2018c). The IMF, too, conducts regular reviews of the Macedonian economy which include comprehensive recommendations for further reform. Finally, North Macedonia is a significant recipient of US aid. The United States spends nearly USD 5 million a year on security assistance for the country and, in September 2018, then Secretary of Defence James Mattis announced that the United States would further expand bilateral cybersecurity cooperation. The United States’ priority with regard to North Macedonia is to bring it into the Western community of nations while countering Russian influence there and in the region more broadly.

V. RELATIONS WITH RUSSIA

42. Driven by concerns about the region's integration into the EU and NATO and its own goal of weakening both of those institutions, Russia has identified the Western Balkans as a kind of soft underbelly of the Euro-Atlantic community. In North Macedonia, Russia's most recent influence campaign was focused on the country's name change and particularly on the referendum of September 2018. In the summer preceding the vote, hundreds of new websites and Facebook posts called for a boycott of the referendum and encouraged ballot burning. Macedonian and US officials traced this activity to Russian-backed groups (Cooper and Schmitt, 2018). Moreover, anti-referendum messages were transmitted through the Belgrade offices of Russian media sources, including Sputnik and RT. They expounded nationalist-populist themes of "identity, race and the perceived threat of an overbearing EU" (Tisdall, 2018). The Kremlin also sought to inflame nationalist, anti-Macedonian rhetoric in Greece, allegedly by working with a Greek-Russian billionaire to pay protestors to demonstrate against the reconciliation effort (Horowitz, 2019). Greece recently expelled two Russian diplomats for working to undermine the Prespa agreement. With the assistance of US intelligence, Greek authorities uncovered efforts to promote opposition to the agreement, foment violent protests, and bribe opponents of the deal. These efforts coincided with a massive disinformation campaign including open encouragement of voters to burn their ballots and false stories suggesting that American troops had used radioactive bullets in a training exercise held in Greece (Conley and Melino, 2019).

43. Moscow does not consider the Western Balkans as an area of prime strategic importance, as it does, for example, the former Soviet sphere. This is demonstrated by the limited resources Russia expends on the region and its unwillingness to commit troops to advance its interests there. Instead, Russia's influence campaign aims to obstruct EU and NATO enlargement in order to maintain the status quo and Russian residual influence in the region. In essence, encouraging regional tensions causes the West problems and keeps Russia in the game. The goal seems to be to thwart the actions of Euro-Atlantic institutions and impede the full integration of the Balkans into the Western community of nations (Open Society, 2019). Russia is particularly concerned about keeping Serbia out of the Euro-Atlantic community, while it accords North Macedonia a far lower order or priority (Horowitz, 2019). However, this does not prevent it from engaging in a low-cost asymmetrical information campaign – something that the digital economy and internet allow it to do on the cheap and with a degree of plausible deniability.

44. Indeed, Russia's recent responses to Skopje's NATO aspirations reveal much about the Kremlin's motives. It warned North Macedonia that joining the Alliance would mean losing foreign-policy autonomy and having to finance NATO's remote military operations. In March 2018, the Russian ambassador to Skopje stated that if North Macedonia were to join the Alliance, it would become a "legitimate target" if a conflict between Russia and NATO broke out (Assenova, 2019). After the referendum, the Russian minister of foreign affairs, employing patently false argumentation, noted that the country's name change would have to be reviewed at the UN Security Council under Resolution 845, implying that Russia would have the power to veto the name change (Reka, 2018). Despite these reservations, Russia ultimately recognised the "Republic of North Macedonia" in March 2019. It will likely continue to play the spoiler role, but it will do so based on opportunities that present themselves. The name issue is now largely water under the bridge, and Russia will seek out other opportunities for creating problems (Assenova, 2019).

45. Russian interference in North Macedonia's domestic politics is hardly a new phenomenon. Intelligence documents obtained by the Organized Crime and Corruption Reporting Project (OCCRP) and partners reveal that Russian spies and diplomats have been spreading anti-Western, pro-Russian propaganda in the country over the past decade (Belford et al., 2017). This long-term influence campaign was largely focused on securing North Macedonia's military neutrality, as part of a wider regional plan to push for militarily neutral territory in the Balkans (Assenova, 2019). For these purposes, Russia aligned itself closely with Mr Gruevski and his then governing party, the VMRO-DPMNE to which it provided significant support during the 2015-2017 crisis. It has also

essentially sponsored a small, pro-Russian, and anti-Prespa agreement party named United Macedonia, which is more than just coincidentally similar to Mr Putin's party, United Russia (Cingel, 2018). That party has failed to muster enough votes to achieve representation in parliament and is generally seen as a marginal Russian construct rather than a key actor in the country's politics.

46. Russia's potentially most dangerous activity has been its incitement of ethnic discord in Macedonian society. In early 2017, the Russian foreign ministry falsely claimed that the EU had essentially adopted the "Tirana Platform", which would federalise North Macedonia and create a "Greater Albania" (Assenova, 2019). Although patently false, the claim was quickly picked up on by pro-Gruevski media, fuelling unwarranted fears of a Western-facilitated Albanian resurgence in the country. Conscious of the Kremlin's incendiary role, the US Congress allocated USD 8 million for North Macedonia to counter the Russian disinformation campaign in January 2017 (Santora and Barnes, 2018).

47. That only 37% of Macedonians voted in the 2018 referendum when a 50% minimum threshold was required was widely seen as a victory for Russia, which had worked assiduously to suppress the vote (Tisdall, 2018). In that referendum's aftermath, questions abounded regarding Skopje's future position between East and West. Afterwards, however, the Parliament of North Macedonia backed the name change, and surveys have consistently demonstrated that a significant majority of Macedonians support NATO and EU membership (Marusic, February 2018). Western observers characterise this as an important sea change and suggest that support for a Western orientation is now quite strong in Macedonian society, with nearly 80% of the population endorsing NATO membership (NATO PA, 2019).

48. When it comes to economic links, Russia's footprint in North Macedonia is considerably less marked than in several other Western Balkan countries. As discussed below, Russia is North Macedonia's preponderant supplier of natural gas, but otherwise, trade between the two countries has historically been small, never exceeding EUR 400 million a year and standing at roughly EUR 100 million in 2017. At first glance, investment statistics are also unremarkable, with the revenues of Russian companies operating in North Macedonia representing just over 1% of total revenues in the economy in 2015. Half of these are associated with just one firm – Lukoil, a retail fuel distributor. A more detailed analysis of Russian business links, however, reveals substantial investments in North Macedonia which are channelled through third countries such as Cyprus, Belize, and Switzerland (CSD, 2018). As a result, it is difficult to fully assess the extent of Russia's economic presence in the country.

49. It is worth noting here that China has also actively built a presence in North Macedonia, but to a lesser degree than in other Western Balkan countries. This presence is primarily economic but also has obvious geopolitical implications. China frames its economic ties to the region through the Belt and Road Initiative, which has included funding for two major highway projects in North Macedonia, but there have been unanticipated costs problems with these projects.

VI. ENERGY AND ENVIRONMENT

50. North Macedonia relies on a relatively undiversified mix of energy sources. Coal accounts for 60% of its electricity supply, and parts of the country suffer a high degree of air pollution as a result (World Bank, 2018b). A lignite power plant in Bitola, operated by state-owned power monopoly ELEM, generates most of this coal-derived electricity (CSD, 2018). Until 2018, another ELEM-operated thermal-power plant in Oslomej played a similarly important role in electricity generation but was shut down in June that year, largely as a result of pollution-related problems. Conventional hydroelectric power plants, many of which are also owned by ELEM, meet roughly 20% of electricity demand, although hydrological conditions are volatile and may grow less reliable due to climate change. In 2016, renewable-energy generation accounted for roughly 7% of the country's electricity supply, and state support made the contribution of small hydropower, solar, wind,

biogas, and biomass power plants possible (World Bank, 2018b). Natural gas only forms a modest part of North Macedonia's energy supply. The country has a poorly-developed pipeline network – although, there are plans to construct a country-wide natural gas pipeline (CSD, 2018). North Macedonia's gas-consumption rate is amongst the lowest in Europe, at between 50 and 100 million cubic metres per year (Shentov et al., 2019). Industrial firms operating in urban areas consume most of this gas while households consume very little, largely due to the limited gas-distribution networks.

51. Over the past decade, electricity demand has outpaced domestic supply in North Macedonia. Domestic production of electricity decreased by approximately 25% in this period, and imports rose to 34% of total consumption (CEE Bankwatch Network, 2019). North Macedonia is completely dependent on the import of crude oil and natural gas. Before 2012, the former came from Russia, but now all crude oil is imported from Greece via tank trucks to the OKTA refinery in Skopje (Shentov et al., 2019). All the natural gas in North Macedonia originates from Russia, entering the country through a single-entry point at the Bulgarian border and flowing via the TransBalkan Pipeline, which also passes through Ukraine, Romania, and Bulgaria. Gazprom provides 100% of the pipeline's capacity and delivered 70 million cubic meters of gas in 2016 (Shentov et al., 2019). A 2014 stress test listed North Macedonia amongst the five European countries most vulnerable to a shut-off of Russian gas, due to its total dependence on Gazprom for imports (Baily, 2018). Furthermore, Gazprom charges North Macedonia some of the highest gas prices in Europe, placing some of the country's major industrial gas consumers under significant financial strain and competitive disadvantage (Shentov et al., 2019).

52. In July 2013, the Gruevski-led government signed a bilateral agreement with Moscow to construct an offshoot to Gazprom's South Stream gas pipeline project in North Macedonia. It was, however, not clear how Skopje would link in to the pipeline, and the whole project was ultimately cancelled in 2014 following pressure from the EU. Since then, Russia has been planning the construction of a pipeline dubbed Tesla that would pass through Greece or Bulgaria and then move through North Macedonia, Serbia, Hungary, and finally Austria. This is to be one of the two pipe trunks that, together, make up TurkStream. The other TurkStream offshoot was inaugurated in 2018 and flows below the Black Sea between Russia and Turkey. The fate of Tesla is not clear because it does not currently conform to European anti-monopoly rules. Compliance with these rules is necessary, given that Tesla will terminate in the EU, a fact that has driven Gazprom to seek local partners in the Balkans (Bechev, 2019). Although no negotiations have begun with North Macedonia, Skopje has constructed, or plans to construct, pipeline sections which could potentially connect up to Tesla. These include the Russian-built 96km Klekovce-Negotino pipeline that links North Macedonia with the Serbian gas system, completed in 2016, and a planned 160km interconnector between North Macedonia and Greece, which two parties – one Russian-controlled, one Greek – are currently vying to construct (CSD, 2018).

53. The interconnection line with Greece could also represent an important move towards gas diversification. The interconnector would link up with Azerbaijani gas flowing through the Trans Adriatic Pipeline, or to an LNG-import terminal in Greece. However, succeeding governments have chosen to work with the Kremlin and Gazprom, so the extent to which Skopje will position itself to diversify its sources of natural gas over the coming years remains to be seen (CSD, 2018).

54. North Macedonia is currently at risk of missing existing carbon-emissions targets (World Bank, 2018b). As a party to the Paris Agreement, the country committed to reducing carbon-dioxide emissions from fossil-fuel combustion by 30% before 2030. More investments are needed in small hydro, solar, and wind projects if these goals are to be met. Energy efficiency in North Macedonia is low, largely because of the prevalence of poorly insulated buildings and inefficient appliances (World Bank, 2018b). In 2016, for example, electricity losses stood at 14.7% of gross national electricity consumption (CEE Bankwatch Network, 2019). There is thus ample room for improvement and energy savings on this particular front.

55. The European Commission has deemed North Macedonia “moderately prepared” for EU accession in terms of its implementation of Chapter 15 (on “energy”) of the *acquis*. The latest Commission report praises Skopje for recent progress in adopting the third National Energy Efficiency Action Plan but underlines the need for further opening of the electricity market and comprehensive fulfilment of Energy Community Treaty obligations (European Commission, 2018). The Energy Community seeks to extend the EU’s internal energy-market rules to countries in south eastern Europe and the Black Sea region, with the goal of creating a more genuinely integrated energy market (Energy Community, 2017). North Macedonia is a member of this project. As part of its contribution to regional energy integration, it plans to construct a new high-voltage electricity line with Albania.

56. As suggested above, North Macedonia has one of the worst levels of air pollution in Europe and Skopje is the most polluted capital city (World Bank, 2018b). This is a function of high greenhouse-gas emissions relative to GDP, a figure which is five times higher than the EU average. Road traffic, industry, energy production, and residential heating account for over 90% of emissions. The resultant health risks are severe, costing the equivalent of an estimated 3.2% of GDP every year.

57. The geographical areas most affected are Skopje, where over 45% of air pollution is concentrated, and several industrial production zones (World Bank, 2018b). In order to reduce emissions, the World Bank has encouraged North Macedonia to enforce environmental regulations more rigorously as there is a telling discrepancy between environmental law and implementation (Team Finland, 2016). The country also needs to increase investments in technologies that facilitate compliance with these regulations. For example, too many old, polluting vehicles without systems for treating exhaust gases are currently in use. The World Bank also urges North Macedonia to reduce its dependence on coal, increase its use of renewable sources, and enforce energy-efficiency measures in construction. The country’s alignment with the EU’s *acquis* on matters related to climate change remains at an “early stage” (European Commission, 2018). The Commission underlines the need for North Macedonia to improve its emissions monitoring and reporting, as well as to develop a comprehensive strategy to counter climate change in all relevant sectors.

58. Finally, climate-related natural hazards like “floods, earthquakes, forest fires, droughts, landslides and extreme temperatures” represent a real risk for North Macedonia. Since 1990, 23 “severe disaster events” have occurred in the country, taking many lives and costing over USD 409 million in direct damage. The annual damage to critical infrastructure associated with these hazards is projected to double by 2020. To mitigate potential destructive effects, North Macedonia must devise national impact-reduction programmes and significantly improve emergency response systems (World Bank, 2018b).

VII. CONCLUSION

59. For over two decades, North Macedonia has harboured aspirations to become a member of NATO. It joined the Membership Action Plan in 1999 and was declared technically ready for membership already in 2008. However, a formal accession invitation was made dependent on the resolution of a long-standing name dispute with Greece. Following the resolution of a range of disputes between Skopje and Bulgaria, in June 2018, Greece and the then former Yugoslav Republic of Macedonia finally agreed on a new name for the country, prompting the Alliance to commence accession talks. In parallel, the government undertook a number of measures to help heal interethnic and sectarian rifts in that society. As a result of these brave and compelling initiatives, North Macedonia is now set to become a member of the Alliance once each of the 29 Allies ratifies the Accession Treaty. It will doubtless be an important contributor to Allied security. The benefits of membership, moreover, will not only reach into the security realm, they will also galvanise reform efforts and encourage a higher level of economic activity and investment. These processes already

appear to be underway (NATO PA, 2019). North Macedonia is now a country prepared to undergird regional and transatlantic security rather than stand as an object of concern.

60. The signing of the landmark Prespa agreement has proven to be the key that unlocked the door for the Republic of North Macedonia's accession to NATO and it will also be a critical factor in kickstarting the country's eventual accession negotiations with the European Union. The governments of both Greece and the Republic of North Macedonia deserve praise for their courageous decision to compromise for peace, stability, and reconciliation. The Bulgarian government has also courageously moved toward reconciliation. Collectively these agreements will leave the Western Balkans more stable, secure, and prosperous. These arrangements should be defended and even strengthened both by the parties and by the broader transatlantic community, as they will help the region move in the right direction while warding off those who might be tempted to derail these highly positive processes.

61. It is important to recognise that keeping North Macedonia outside of NATO for so long had a negative impact on the country's political and economic transition, culminating in the crisis of 2015-2017. The Euro-Atlantic community must learn from this experience and redouble its efforts to help consolidate reforms in the region, in part by offering a realistic prospect for full integration into the Euro-Atlantic community. A serious commitment to help move the country towards EU membership will be critical here. Indeed, delaying this any further could give legitimacy to opponents of the Prespa agreement and create space for Russia to interfere more actively in the country's internal affairs. Indeed, in order to mitigate the risk of future disputes about the agreement, the EU could itself adopt a Prespa implementation roadmap. This sort of multilateralisation of the agreement would help to guarantee its equitable implementation by both parties (Open Society, 2019).

62. But more immediately, parliaments in each NATO member country should move to ratify North Macedonia's Accession Protocol as quickly as possible. Doing so will help send a strong signal that NATO's door remains open and that those who manage to walk through it will be more secure, stable, and prosperous as a result. Along these lines, it is important to note that Macedonian troops have participated in a number of critical NATO missions. Its eventual membership will help stabilise the Western Balkans and provide a model for a patient and peaceful transition and Euro-Atlantic integration. At the same time, more and sustained support will be needed to encourage this country to see through essential democratic reforms, including the fight against corruption and judicial modernisation. Ongoing efforts to nurture a spirit of bipartisanship and interethnic reconciliation in this long-divided country are essential.

63. A degree of reckoning with the past is also needed. With EU support, the government has established a special public prosecutor to investigate high level crime and corruption. The recent resignation of the chief special prosecutor highlights the need for the prosecution to remain independent and very actively engaged in investigating previous crimes (Conley and Medino, 2019).

64. On the social front as well, the Republic of North Macedonia has made important strides but still has much work to do. Of those serving in the country's parliament, 33% are women, and although hardly at parity, it does suggest that women are beginning to wield a degree of political clout in Macedonian society. But there are still problems. Women, for example, were long prevented from inheriting property in this traditionally patriarchal society, and this was both a manifestation and a cause of the economic marginalisation of women in society. There are also ongoing problems of domestic violence and discrimination against women despite the commitment of the government to rectify the situation (The Borgen Project, 2018). Macedonian society remains riven by ethnic and sectarian tensions that the government is also working to heal. This particular challenge requires vigilance as well as sustained international engagement and support. Ethnic reconciliation will be critical to the country's long-term stability and security, as well as to its full integration into the European Union. Environmental degradation, a legacy of decades of neglect, poses yet another serious challenge to the country's transition. Obviously, the burden here falls disproportionately on the poor, so it is a matter of social justice as well. Finally, creative reform will be essential to improving

the country's poor education system, which is woefully mismatched with the country's long-term economic needs. High youth unemployment is one consequence of this, as is a worrying brain drain.

65. Governments in NATO and across the Western Balkans are urged to remain resolute in resisting Russia's malign interference in the region's politics. In particular, Russian efforts to generate distorted information and undermine domestic political stability and Allied solidarity must be countered so as to ensure there is no public misunderstanding about the intentions of Allied countries and democratic forces in North Macedonia and elsewhere in the region. The challenge is particularly grave insofar as Russia appears focused on exacerbating rather than healing ethnic and sectarian tensions in order to undermine the country's integration into the West. Membership in NATO will not put a halt to Russian efforts but should help make North Macedonia more resilient in the face of them.

66. In parallel, the Allies must encourage the continued implementation of specific reforms within North Macedonia, particularly "with a view to ensuring effective democratic dialogue, media freedom, judicial independence and a fully functioning multi-ethnic society" (NATO, 2019). Fighting corruption must remain high on the agenda. Much political and economic progress can be achieved through further alignment of legislation with the EU's *acquis communautaire* and subsequent implementation of this legislation. The European Commission and EU governments should continue to monitor and support North Macedonia on this front. But they also need to indicate at which point the reform process will open the door for accession talks. Otherwise they risk leaving the country in a kind of endless limbo which could weaken the hand of North Macedonia's democratic reformers. Along these lines, it is essential to recognise that accession negotiations are not the same as accession itself. They would mark an intensification of the reform process, and that process would have to bring real change before accession is agreed.

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