

WESTERN BALKANS CHALLENGES IN THE THIRD DECADE OF 21ST CENTURY – CASE STUDY: SERBIA AND NORTH MACEDONIA

Jelisavac Trošić Sanja

Senior Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia
sanja@diplomacy.bg.ac.rs

Arnaudov Mitko

Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia
mitko@diplomacy.bg.ac.rs

Abstract

In the methodological sense, the aim of this paper will be to reach a prediction about the potential challenges, threats and risks that the Western Balkans will face in the current decade, based on the case study of Serbia and North Macedonia. By analyzing the existing economic, political and security challenges, risks and threats facing by these two countries, as well as the European continent as a whole, the authors will try to use the method of prediction to establish to what extent the existing challenges, risks and threats will be current in the next six years, whether new ones will appear and in what intensity and what mechanisms are available to small states, such as Serbia and North Macedonia, in the process of facing and creating sustainability. In the academic sense, the contribution of this work will be to provide new understanding about what are the most effective methods in the process of recognizing the challenges facing by small states in current international relations. While, in a practical sense, the contribution will be multiple - political, economic, security - because it will provide new knowledge about potential challenges, risks and threats, as well as proposals for dealing with them.

Keywords *Challenges, Risks, Threat, Western Balkans, Serbia, North Macedonia*

1. Introduction

Within the established framework of international relations, the position of small states is from different angles questionable. Although, from the normative point of view, small states possess the same rights and obligations within the international institutional infrastructure, including the structure of international law, from the realistic point of view, as well as academic, it is very demanding to prove such thesis in practice. In fact, maybe we could reach a certain explanation if we suppose that small states are enjoying same obligations, in a huge extent same rights, but not the same "power" in the decision-making processes.

In that context, we, as scholars, cannot rely only to one and concrete obstacle that creates above mentioned distinction between small states and that one classified as regional and big state, in the context of their political power, economic sturdiness, military strength and diplomatic networking. More suitable would be if we use two-angle approach in the process of proving the thesis about the position of small states.

First angle, in which international institutions and the use of international law are witnessing about the different positioning of small states in comparison with big ones. Since the establishing of the

international system on the UN pillars, there are numerous of cases which are representing examples about the violation of the rights of small states, including the violation of their basic and substantial rights, such as territorial integrity and political sovereignty. Also, from an economic point of view, there are numerous of examples in which national economic resources of small states are the subject of exploitation by other regional and world powers based on the bilateral agreements which from normative point of view provide a so-called picture of contractual relations on equal grounds.

From the other side, there are explanations given by realists why small states could not perform same rights and obligations, thus same power in decision-making process unlike regional and global powers. In fact, according to the understanding of classical realists, there are numerous of material causes that make small states "incompetent" to position within international relations framework on the same basis as those classified as big, strong and developed. Thus, the lack of military power makes them inferior by nature, the lack of economic power makes them weak in logic, while, at the same time, the lack of military and political capacity makes them politically irrelevant and diplomatically useless.

From such perspective, the potentials of this paper are to find out concrete challenges which are facing small states in the first half of the third decade of the 21st century, on the case study of Serbia and North Macedonia. While, at the same time, to create a prediction, based on the content analysis, about the potential challenges that small states will face in the upcoming period, concretely in the following six years framework.

2. Small states at the crossroads of new world order?

Morgenthau has said, "A great power is a state which is able to have its will against a small state which in turn is not able to have its will against a great power" (Rabby, 2014, p. 1). Fukuyama believes that beyond territorial size, a 'small' or 'smaller' state often refers to a state with little or less government involvement in society or the national economy, and so on. According to Keohane, a 'small state' is one whose leaders consider that it can never, either acting alone or in a small group, make a significant impact on the globe (Rabby, 2014, p. 2). Barston suggested four approaches to define the term "small state": (1) Setting an upper limit on, for example, the population size; (2) Measuring objective elements; (3) Analyzing relative influence; and (4) Identifying characteristics and formulating hypotheses on what differentiates small states from others (Rabby, 2014, p. 2).

In the context of challenges, leading thesis of this paper is that small states are group of subjects of international law which do not possess adequate amount of political, economic and security mechanisms and resources for independent dealing with contemporary challenges. At the beginning, numerous of scholars probably would question the relevance of this thesis, bearing in mind the complexity of contemporary challenges and their cross-border influences and consequences which erase national or state borders. But, to be more precise, we are not going to analyze the scope and all-pervading character of contemporary challenges, but how much national state, on the case study of Serbia and North Macedonia, are ready to face them.

The key assumption, according to Vital, was always that it is a combination of size, material resources, economic development, geographical location and military might which determines the extent to which a smaller state enjoys the capacity to 'perform as a resistant rather than vulnerable, and active rather than passive member of the international community' (Rabby, 2014, p. 3). Vital is probably the scholar that provides the closest definition about the role of small states in international relations, bearing in mind his combination of factors that determines the role of small states in the world politics. But Vital also brought us to certain illogic, bearing in mind the thesis of realists that small states are not able to perform any influential role within international relations, from one side, and Vitals' position, which assumes that small states, however, could become influential "players" in the international relations "yard".

In fact, academic discussion about the role of small states in international relations seems still to be at the beginning. Because numerous of scholars do not examine this question from the perspective of

national/state mechanisms of small states and its effectiveness. Rather they are analyzing the role of small states within international relations through the perspective of relations between big and global powers, from one side, and small and weak states, from another. Such approach, by logic, brings us to conclusion provided by realists - small states are weak, do not possess any resources, and thus do not have any capacities for influence within international relations.

It is quite wrong position. Because, in the international relations, in different areas, there are numerous of small states which are performing influential role in their foreign-policy activities. For example, Israel is a state with less than ten million populations which performs significant role within international relations security policy. From the economic point of view, there is Czech Republic which with 10,6 million (World Bank Open Data, n.d.) population and 1.4 million cars produced in 2019, has positioned itself as one of the highest car production states per capita in the world, after Slovakia (Automotive Industry in Central and Eastern Europe, 2023). In the political framework, there is the Kingdom of Netherlands, European state with 17,7 million population (World Bank Open Data (b), n.d.), which is even in the EU context, a small state by population, but with a substantial influence in international relations, concretely when it comes to the EU enlargement process (Gençtürk, 2023); (Pascoe, 2023).

Mentioned examples do not lead us to the simple conclusion, opposite to the representatives of realism, that small states, in fact, could perform a substantial role in international relations, but to the understanding that there are wider range of factors that could enable small states to have own position within international relations framework, and thus lead an active foreign policy. Small states, based on realistic domestic potential and resources, have to adapt its foreign policy activities, but not in the manner of absolute adjustment to foreign policy positioning of so-called big powers, but in a way that could be in a certain correlation with the most influential "players" in the international "ground, in order to be able to lead independent politics and reaching foreign policy goals, simultaneously.

In fact, small states positioning within international relations should be performed by tactical instructions, based on strategic foreign policy basis which leads to realization of defined foreign policy goals. In that context, foreign policy strategy of small states should not be a long-term document, as it is in the case of "big powers". Rather it should be a certain tactical, medium and short term created document which provides strategic explanation about the connectivity of defined foreign policy goals and permanent national interests, while, at the same time, provides, tactical and adaptable instruments for foreign policy activities of small states that would not bring this subjects of international law in position which could, potentially, be understood as a endanger of the defined understanding of international order by so-called great powers.

3. Political obstacles within the Western Balkans

There are numerous of criteria on which basis we could analyze and present ongoing political challenges within Western Balkans. But in this paper, on the case study of Serbia and North Macedonia, as a representative examples in the regional context, as an indicator about political challenges that facing two mentioned states we will use EU Commission annual reports. The reason why we are going to base this research to the EU Commission annual report is the fact that both states, in the context of foreign policy goals, are declaring EU membership as a strategic goal. Thus, both, Belgrade and Skopje are in the EU accession process which implies not only foreign policy activities, but, substantial and intensive internal political and institutional adjustments.

From that perspective, political challenges represent important variable in the process of EU accession not only because of the fact they are, by themselves, obstacles within Serbia and North Macedonia, but also because of the fact that they represent a certain causer and creator of additional challenges within political, economic and social frameworks of mentioned states. To be more concrete, major issue that produces numerous political challenges within Serbia and North Macedonia is political instability. Political instability, defined as a condition characterized by uncertain or volatile political circumstances, such as

conflicts, governance issues, or changes in government or a crisis situation within the country that can be caused by a variety of reasons: government incompetence, economic problems, high crime rates (Erkut, 2021), in Serbia and North Macedonia in a huge manner determines substantial flows in these countries. But, to be more comprehensive, also still unresolved regional issues, including security challenges in the regional context, are determinators for political crisis, thus creating additional political challenges.

According to Francesco Marino Political instability in the Western Balkans is not a new feature in the region, but we could not agree with his claim that it is the direct consequence of the tumultuous and violent breakup of Yugoslavia and the result of a terrible decade of wars (Marino, 2023). From a historical point of view, bearing in mind the fact that has passed 23 years since the last armed clashes within Western Balkans, in the western and northern parts of North Macedonia, it is very difficult to explain that political instability, as a consequence, still found its reason in the process of Yugoslav disintegration. There are still open regional issues and disputes that have appeared after the collapse of Yugoslavia, but it is very difficult to put a thesis that today's overall political instability and thus political challenges within Western Balkans are because of Yugoslav civil wars.

From the other side, Ilir and Elena Kelamaj are assessing that there are many troubling issues that concern and affect the political instability of the Western Balkans. Some of these are legacies of the past, some are present geopolitical constraints and some are emerging from the inability of political elites in these countries to strive forward (Kalemaj & Kalemaj, 2022, p. 32). Referring to the 2022 report of the European Parliament, these authors state that the democratization processes have been undermined by: the low level of media freedom; non-transparent policymaking; non-inclusion of the civil society organizations in the consultation process; weak rule of law due to the insufficiently reformed judiciary; inefficient public administration and resulting limited absorptive capacity of EU funds; and ambiguity in politicians' foreign policy stances (European Parliament 2022 as cited in Kalemaj & Kalemaj, 2022, p. 32).

From the third side, Čermak, Todorović and Maliqi are recognizing eight challenges (Čermák et al., 2023, pp. 5-8) for democracy in the Western Balkans, which in this paper we are also classifying as a political challenge and obstacle at the same time: Lack of pluralism, state capture and violations of human rights undermines democratic development; Civil society has been disempowered to serve as an agent of democratization in breaking the political capture of institutions; Political influence, judicial pressure and disinformation undermine professional and critical journalism; New waves of emigration are stripping away human capital needed for development and democratic reforms; The unresolved regional security architecture and revisionist narratives securitize the political discourse; Russian aggression tests the pro-Western orientation and resilience of the region; Chinese geoeconomic ambitions threaten economic stability and undermine transparent governance in the region; and the EU enlargement's loss of credibility opens space for democratic decline. In fact, it seems that these authors have made a kind of compilation of various internal, regional, external, institutional and security challenges that represent the main obstacles in the processes of democratization, which, as such, on the other hand, is also one of the main political challenges in the Western Balkans.

From the fourth point of view, based on the annual reports of Commission of the European Union, we will focus on the cases of Serbia and North Macedonia, which are chosen as case study in this paper, in order to found main political challenges, which the mentioned region is facing.

*Key findings related to political challenges from the EU Commission Report 2023 for Serbia:
(European Commission (a), 2023)*

- Political polarization remained in evidence and has further deepened following the tragic mass shootings in early May 2023
- Political polarization remained in evidence, both in and beyond the Parliament, and was illustrated by frequently harsh and intolerant language used in debates and in the media
- Debates in Parliament were marked by tensions between the ruling majority coalition and the opposition

- In the domain of freedom of expression, limited progress was made in the reporting period
- Political support for public administration reform is limited
- Although a number of steps have been taken to reduce the space for political influence on the judiciary, however it is not yet possible to observe a consistent reduction of undue influence on judges and prosecutors in practice
 - There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption
 - Political and economic influence on the media remains a source of concern
 - Business environment remains hampered by red tape, political interference and limited public administration efficiency

Key findings related to political challenges from the EU Commission Report 2023 for North Macedonia: (European Commission (b), 2023)

- The political situation remained polarized, which had an impact on the proper functioning of democratic institutions
 - Parliament's work was marred by political polarization, which deepened further, delaying the adoption of many reform laws and important appointments
 - Greater transparency is needed regarding media advertising by state institutions and political parties
 - Political dialogue in Parliament suffered from the lack of cross-party consensus, though the opposition did support some economic, energy and social measures
 - Action is needed to ensure the transparency of funding for political parties
 - The controversial dismissal of the President of the Judicial Council raised concerns about undue political influence
 - Political actors should refrain from publicly commenting on judicial proceedings
 - Media associations continued to express concern over legal provisions enabling political parties to use state funding to advertise in the media and over the lack of transparency of party-political advertising generally and on online media platforms in particular

Based to the key findings on which we have referred there are evident political challenges and obstacles that are de facto blocking not only the EU integration process of Serbia and North Macedonia, but at the same time representing substantial barrier in the process of state-building, in the context of strong institutions, merit system rules, comprehensive democratization which all together lead to stable and predictable environment.

4. Security challenges in the region

The Western Balkans in contemporary European and regional circumstances is faced with security challenges that cannot be classified in the group of so-called classical or traditional security challenges. To be more precise, Western Balkans nowadays is not facing „traditional security issues against the essential values of the state, territorial integrity, and political sovereignty“ (Attinà, 2016). The Western Balkans is facing contemporary security challenges that directly pose a threat to the sustainability of the state system as a whole, and thus to stability and sustainability, but they do not threaten political sovereignty as a consequence of the hostile activities of other subjects in international law. In fact, states and political actors in the Western Balkans are facing with so-called modern security risks, challenges and threats that affect the economic, energy, health and social infrastructure. Concretely, Western Balkans is facing security challenges, such as energetic, migrant and economic, including ongoing regional issues, which to a huge extend endanger the fragile regional stability at whole. According to Nevena Šekarić, today, the Western Balkans are burdened by many security issues, as in regionally as well as bilaterally: unresolved territorial

issues, inter-ethnic frictions, unstable political and economic conditions, the presence (often opponents) of international actors, as well as many modern security threats such as organized crime, corruption, illegal migration, natural disasters, etc (Šekarić, 2021, p. 134).

In this paper our focus would be to energy and migrant security challenges, including the Ukrainian war as a leading security determinant within the whole European continent, including the Western Balkans region. Explanation will be established from a wider context to the narrow one, starting from the position of the beginning of the war in Ukraine.

The war in Ukraine denied the thesis that a large-scale armed conflict will not be started on the soil of the European continent. Numerous scientists and researchers previously claimed that in modern international relations, war on the European continent is almost impossible, bearing in mind the economic interdependence of political actors on the continent, but also the level of well-being reached within the framework of European society. But the reality has denied such similar and numerous researches and conclusions. When it comes to the security challenges facing by the Western Balkans after the outbreak of the Ukrainian war, we can classify them into three groups: those based on existing regional disputes; second, those based on the consequences caused by the Ukrainian war; and third, those based on previous security crisis on the Middle East.

The American media "Voice of America" quotes the Ukrainian president who stated that Russia could create new crises in the Balkans and Moldova in order to divert the world's attention from the war in Ukraine, also adding that attention should be paid to the Balkans (Konstantinović, 2023). In fact, this statement is closely connected with open regional disputes, as they are: the status of Kosovo*, as well as the fragile internal political situation in Bosnia and Herzegovina which is determining the security framework of this state constantly. Since the beginning of the Ukrainian War regional European issues, including the Western Balkans regional challenges already mentioned, are used as a potential war zones which could additionally erode unstable and unpredictable security mosaic of the continent. In that context also NATO secretary general states that intensive tension in Kosovo* are visible, while, at the same time tensions are rising in Bosnia and Herzegovina (Konstantinović, 2023). At the same time, we are also witnessing to numerous researches, such as the one published by the so-called intelligence platform Stratfor, which analyzes whether Belgrade and Pristina will enter a new war, commenting on the recent tensions in Banjska and the activities of the Serbian Army (Are Serbia and Kosovo Headed for Another War? | RANE, n.d.). The essence is that Ukrainian War has restored the international society focus to the ongoing regional disputes within Western Balkans, analyzing the same from the perspective of the potential of armed conflict.

From the other side, second group of security challenges represent a so-called consequence of Ukrainian War. Since the beginning of Russian military operation on the territory of Ukraine European Union has imposed six packages of sanctions against Russian Federation as a response to Russian aggression, as it is defined within EU. Energy trade is one of the main pillars of the European sanctions against the Russian Federation, which directly affect Serbia and North Macedonia, regardless of the level of their foreign policy compliance with the European Union regarding the sanctions against Moscow. The energy market is a special challenge for Serbia and North Macedonia, bearing in mind their dependence on Russian energy resources and the impossibility of quick adaptation in the context of finding alternative sources. In fact, on the example of Serbia and North Macedonia, we have to point out that „energy shortage has a significant negative effect on the economy, especially of developing countries, countries in transition and underdeveloped countries“ (Jelisavac Trošić & Arnaudov, 2023, p. 156).

When it comes to Serbia, „the Energy Sector Development Strategy of the Republic of Serbia up to 2025 with the projections up to 2030, was 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) (Energy Sector Development Strategy of the Republic of Serbia for the Period by 2025 With Projections by 2030, 2022). But, 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 (Jelisavac Trošić & Arnaudov, 2023, p. 156). From the other side, in the case of North Macedonia, on August 25, 2022, the government of this state has adopted a decision to declare a state of crisis in the energy sector: Decision to declare a state of crisis in the supply of thermal energy in the city of Skopje; Decision on the supply of electricity in the entire territory of the Republic of North Macedonia (Jelisavac Trošić & Arnaudov, 2023, p. 157).

The war in Ukraine threatened Serbia and North Macedonia in many ways in the economic sense. First, it threatened energy sustainability in both the economic and social sectors, then it threatened economic sustainability, bearing in mind the level of use of Russian energy resources in the economic and industrial sectors in these two countries.

And third group of security challenges are those closely related with the wars in the Middle East. Since the beginning of the security crisis in the Middle East and North Africa huge waves of war refugees and economic migrants have endangered the fragile security mosaic of the Western Balkans, through the opening of the so-called Balkan route. 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). 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 this context, it is important to point out that the migrant crisis in the Western 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 (Jelisavac Trošić & Arnaudov, 2023, p. 158). In fact, the migrant crisis imposed an obligation on countries such as Serbia and North Macedonia to adapt their security forces in order to be able, at the same time to face internal challenges, due to the potential of the local population clashing with migrants and refugees temporarily residing in the territories of these two countries, as well as with external challenges, in the context of protecting border lines from refugees, migrants and organized criminal groups who are constantly trying to illegally transit through this so-called Balkan route.

5. Economic challenges for Serbia and North Macedonia

North Macedonia's nominal GDP of USD 13.7 billion in 2022, and GDP per capita of USD 6,652 compared to the global average of USD 10,589. Average real GDP growth of 2.1% over the last decade. The unemployment rate averaged 22.2% in the decade to 2022, and inflation averaged 2.5% in the decade to 2022. North Macedonia's monetary policy rate ended 2022 at 4.75%, up from 3.25% a decade earlier. From end-2012 to end-2022 the denar weakened by 18.5% vs the U.S. dollar. In 2021, services accounted for 71% of overall GDP, manufacturing 13%, other industrial activity 8%, and agriculture 8%. Looking at GDP by expenditure, private consumption accounted for 66% of GDP in 2021, government consumption 16%, fixed investment 34%, and net exports -16%. In 2020, manufactured products made up 84% of total merchandise exports, mineral fuels 1%, food 10%, ores and metals 4% and agricultural raw materials 0%, with other categories accounting for 1% of the total. In the same period, manufactured products made up 65% of total merchandise imports, mineral fuels 8%, food 10%, ores and metals 16% and agricultural raw materials 1%, with other goods accounting for 0% of the total. Total exports were worth USD 8 billion in 2022, while total imports were USD 11 billion (FocusEconomics North Macedonia, 2024).

North Macedonia is a small, upper-middle-income economy, and North Macedonia's economic activity sectors are relatively well balanced, with the services sector accounting for 57% of GDP, industry for 22.6% and agriculture for 9.1%. The business environment in North Macedonia has seen some improvement, notably in reducing and clarifying the para-fiscal fees imposed on businesses by establishing

a consolidated digital register of charges based on a comprehensive catalogue of electronic services provided on its e-portal. The economy's positive trend in public administration transparency has been reflected in its score in Transparency International's Corruption Perception Index, which has increased four positions since 2021 and is now 89th place out of a total of 180 ranked economies (SME Policy Index, 2022, p. 751, 754). The policy-makers in the North Macedonia should create growth and development policies that will promote sustainable and long-run growth instead of focusing on delivering economic growth in the short run. Moreover, the policymakers should put more efforts during the economic crisis and stimulate the national economy by using fiscal policy (Lazarov & Simeonovski, 2023, p. 92).

Serbia's nominal GDP of USD 63.5 billion in 2022, and GDP per capita of USD 9,532 compared to the global average of USD 10,589. Average real GDP growth of 2.4% over the last decade. Serbia's fiscal deficit averaged 3.3% of GDP in the decade to 2022, and the unemployment rate averaged 15.3% in the decade to 2022. Inflation averaged 4.0% in the decade to 2022. Serbia's monetary policy rate ended 2022 at 5.00%, down from 11.25% a decade earlier. From end-2012 to end-2022 the dinar weakened by 22.5% vs the U.S. dollar. In 2021, services accounted for 69% of overall GDP, manufacturing 13%, other industrial activity 11%, and agriculture 7%. Looking at GDP by expenditure, private consumption accounted for 65% of GDP in 2021, government consumption 17%, fixed investment 26%, and net exports -8%. In 2007, manufactured products made up 66% of total merchandise exports, mineral fuels 3%, food 19%, ores and metals 10% and agricultural raw materials 2%, with other categories accounting for 0% of the total. In the same period, manufactured products made up 69% of total merchandise imports, mineral fuels 17%, food 6%, ores and metals 6% and agricultural raw materials 2%, with other goods accounting for 0% of the total. Total exports were worth USD 28 billion in 2022, while total imports were USD 38 billion. (FocusEconomics Serbia, 2024).

According to the World Bank Economic Outlook, Serbia's economy is expected to grow 3.5% in 2024 and then grow steadily at around 3-4% annually, supported by increases in consumption and investment, as well as continued strong performance of exports. Foreign direct investment is expected to continue to play a key financing role in Serbia. Inflation is expected to decline gradually and to return to the National Bank target band by mid-2024. The projections for the fiscal deficit are that it will continue to decrease and stabilize at around 1.5% of GDP. The banking sector in Serbia is expected to remain resilient, with nonperforming loans stable at around 3%. The economic outlook for Serbia crucially depends on the domestic reform agenda and its implementation, with limited space for future stimulus packages, structural reforms are needed to accelerate growth which in turn will help to accelerate convergence to EU incomes. Serbia primarily needs to remove bottlenecks for private sector investment including those related to governance, competition and the business environment, in order to resolve the problem of chronically low investment (The World Bank in Serbia, 2024). Serbia needs a new platform for shaping the future of the economy and society. The global economy is in transition, and it simultaneously deals with the negative consequences of the last recession and a positive impact of Industry 4.0. Food, transport, energy production and the ways how people produce and consume industrial product and services need to undergo fundamental transformation (Đuričin, & Lončar, 2020, p. 1).

Conclusions and recommendations

From the paper we can conclude that there are evident political, economic, security and other challenges and obstacles in Serbia and North Macedonia, that are blocking not only the EU integration process of both countries, but at the same time representing substantial barrier in the process of state-building. This is in the context of building strong institutions, having merit system rules, comprehensive democratization, strong civil society, and other, which all together would lead to stable and predictable environment in both countries. We can state that also there are not small challenges for democracy in the two countries of the Western Balkans.

The war in Ukraine threatened Serbia and North Macedonia in many ways in the economic sense, it threatened energy sustainability in both the economic and social sectors, then it threatened economic sustainability, bearing in mind the level of use of Russian energy resources in the economic and industrial sectors in these two countries. Political challenges represent also important variable in the process of EU accession not only because of the fact they are obstacles within Serbia and North Macedonia, but also because of the fact that they represent a certain causer and creator of additional challenges within political, economic and social frameworks of those countries. Since the beginning of the security crisis in the Middle East and North Africa huge waves of war refugees and economic migrants have gone through the so-called Balkan route. Serbia and North Macedonia both perceived themselves as transit countries, which provided them with mutual "understanding" and enabled sharing of experiences. This is a positive example of how they should continue to do so in the future and in the other fields. The capacity of both countries to perform as a resistant rather than vulnerable, and to perform active rather than passive member of the international community, and to learn from each other's positive practices is something they should strive for in the future.

Acknowledgements

The paper presents findings of a study developed as a part of the research project "Serbia and challenges in international relations in 2024", financed by the Ministry of Science, Technological Development and Innovation of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade during year 2024.

BIBLIOGRAPHY:

- Are Serbia and Kosovo headed for another war? | RANE. (n.d.). Stratfor. <https://worldview.stratfor.com/article/are-serbia-and-kosovo-headed-another-war>
- Attinà, F. (2016). Traditional security issues. In Palgrave Macmillan US eBooks (pp. 175–193). https://doi.org/10.1057/9781137514004_10
- Automotive industry in Central and Eastern Europe. (2023, March 17). RSM Poland. <https://www.rsm.global/poland/en/insights/doing-business-poland/automotive-industry-central-and-eastern-europe>
- Cocco, E. (2017). Where is the European Frontier? The Balkan Migration Crisis and its Impact on Relations between the EU and the Western Balkans. *European View*, 16(2), 293–302. <https://doi.org/10.1007/s12290-017-0471-5>
- Čermák, P., Todorović, S., & Maliqi, A. (Eds.). (2023). 8 Challenges for Democracy in the Western Balkans. Friedrich Naumann Foundation for Freedom Western Balkans Office. <https://www.forum2000.cz/files/12639-8-challenges-for-democracy-in-the-western-balkan.pdf>
- Đuričin, D., & Lončar, D. (2020). Shaping the future of Serbia's economy: The new growth model and related economic policy platform. *Ekonomika preduzeća*, 68(1-2), 1-21.
- Energy Sector Development Strategy of the Republic of Serbia for the period by 2025 with projections by 2030. (2022, February 21). oneplanetnetwork.org. Retrieved May 10, 2024, from Energy Sector Development Strategy of the Republic of Serbia for the period by 2025 with projections by 2030. (2022, February 21). oneplanetnetwork.org. Retrieved May 10, 2024, from <https://www.oneplanetnetwork.org/knowledgecentre/policies/energy-sector-development-strategy-republic-serbia-period-2025>

- Erkut, B. (2021). Exporting without direct access to international markets. In *Advances in finance, accounting, and economics book series* (pp. 106–123). <https://doi.org/10.4018/978-1-7998-8314-2.ch006>
- European Commission (a). (2023). Serbia 2023 Report: Accompanying the document communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. In *neighbourhood-enlargement.ec.europa.eu*. Retrieved May 9, 2024, from https://neighbourhood-enlargement.ec.europa.eu/document/download/9198cd1a-c8c9-4973-90ac-b6ba6bd72b53_en?filename=SWD_2023_695_Serbia.pdf
- European Commission (b). (2023). North Macedonia 2023 Report: Accompanying the document communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. In *neighbourhood-enlargement.ec.europa.eu*. Retrieved May 9, 2024, from https://neighbourhood-enlargement.ec.europa.eu/document/download/28a9322a-3f18-434e-89d2-0890c90b2f96_en?filename=SWD_2023_693%20North%20Macedonia%20report.pdf
- European Parliament (2022). The economic and investment plan for the Western Balkans: assessing the possible economic, social and environmental impact of the proposed Flagship projects. 2022. European Parliament. Retrieved from [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702561/EXPO_STU\(2022\)702561_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702561/EXPO_STU(2022)702561_EN.pdf) as cited in Kalemaj & Kalemaj, 2022, p. 32. Accessed: 01.09.2022.
- FocusEconomics North Macedonia. (2024). Retrieved May 10 2024, from <https://www.focus-economics.com/countries/north-macedonia/>
- FocusEconomics Serbia. (2024). Retrieved May 10 2024, from <https://www.focus-economics.com/countries/serbia/>
- Gençtürk, A. (2023, October 5). Netherlands opposes rapid enlargement of EU. Anadolu Agency. Retrieved May 9, 2024, from <https://www.aa.com.tr/en/europe/netherlands-opposes-rapid-enlargement-of-eu/3008882>
- Jelisavac Trošić, S., & Arnaudov, M. (2023). Serbia and North Macedonia in 2023: Economic Risks, Political Challenges and Security Threats. *Bezbednosni Dijalozi*, 14 (2), 149–165. <https://doi.org/10.47054/sd23142149jt>
- Kalemaj, I., & Kalemaj, E. (2022). Political Instability, Economic and Financial Challenges in the Western Balkans in the Post-Pandemic World. *Eurasian Research Journal*, 4(4), 29–37. <https://doi.org/10.53277/2519-2442-2022.4-01>
- Konstantinović, I. (2023, November 24). Da li je moguć novi sukob na Balkanu? *Glas Amerike*. <https://www.glasamerike.net/a/sukob-balkan-srbija-rusija-kosovo-nato/7365810.html>
- Lazarov, D., & Simeonovski, K. (2023). Macroeconomic Stability and Economic Growth: An Empirical Estimation for North Macedonia. *Economic Studies Journal*, 32(8), 78-94.
- Marino, F. (2023, October 8). Political instability in the Balkans and its effect on the citizens - Newsletter European. *Newsletter European*. <https://www.newslettereuropean.eu/political-instability-in-the-balkans-and-its-effect-on-the-citizens/>
- Pascoe, R. (2023, October 5). Rutte “not in agreement” with 2030 EU expansion date - DutchNews.nl. *DutchNews.nl*. <https://www.dutchnews.nl/2023/10/rutte-not-in-agreement-with-2030-eu-expansion-date/>
- Perišić, N. (2018). Zapadno-Balkanska migrantska ruta: Uticaj kandidature za članstvo u Evropskoj uniji na pozicije Srbije. *Politička Revija*, 58(4), 89–104. <https://doi.org/10.22182/pr.5842018.5>
- Rabby, M. F. (2014). Small states in international relations: rearranging the puzzle of defining the ‘Small State’ - Md. Fazle Rabby. *Juniv*. https://www.academia.edu/3809483/Small_states_in_international_relations_rearranging_the_puzzle_of_defining_the_Small_State_Md_Fazle_Rabby

- SME Policy Index: Western Balkans and Turkey. (2022). OECD Publishing, Paris, <https://doi.org/10.1787/b47d15f0-en>.
- Šekarić, N. (2021). Zapadni Balkan: između konflikta i stabilnosti. In Srbija i izazovi u međunarodnim odnosima 2021. godine (pp. 133–159). Institut za međunarodnu politiku i privredu. https://doi.org/10.18485/iipe_regbezb.2021.ch5
- The World Bank in Serbia. (2024). Retrieved May 10 2024, from <https://www.worldbank.org/en/country/serbia/overview#3>
- World Bank Open Data (b). (n.d.). World Bank Open Data. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=NL>
- World Bank Open Data. (n.d.). World Bank Open Data. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=CZ>