

# **The Impact of Euro Atlantic Integration on Macedonian Business Environment: Can a Friendship be Measured with Numbers**

## **Summary**

The author of this paper is trying to give correlation between the economic growth and providing the legal certainty and rule of law as a standards asked from Macedonia to be fulfilled for their integration in Euro Atlantic Movement and European Union. Integration to the Euro Atlantic Alliance is involving very profound values, such as solidarity, rule of law, peace building etc. Those values are need in order to have vigorous society, which is precondition to have friendly business environment. The author of this paper is also underlining the methodological concerns for analysis of this kind.

**Key words:** integration, legal certainty, rule of law, business environment

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## **The Impact of Euro Atlantic Integration on Macedonian Business Environment: Can a Friendship be Measured with Numbers**

### **1. Legal certainty and rule of law provided throughout Macedonia's Euro Atlantic integration as a precondition for friendly business environment**

One of the main questions arising from any accompanying is what will be the benefit of the venture. Joining the North Atlantic Movement, as it is described in to the second part of this paper, is motivated from the common values, ideas, political affiliation and view of the world. But, for many, the question arise: is there any correlation between the NATO membership and the economic growth. First of all, should be mentioned that the rule of law as an essential value shared by this organization, is precondition for legal certainty, which is very important factor in order to have business friendly environment.

As it is stated in the Resolution 325 on economic development and security, the NATO Parliamentary Assembly urges member government and parliaments of the North Atlantic Alliance to „a) increase development assistance to a level that will make it possible to achieve the development aims of the international community as outlined in the UN Millennium Goals, b) to encourage and support sound economic policies based on market mechanisms in developing countries while that they protect their own societal values, ... d) to make support for poverty reduction, good governance, education, human rights – particularly women's and children's rights, ...e) *to achieve policy coherence in development assistance so the Western trade, investment, intellectual property regulation, agriculture and environmental policies support development goals.*”<sup>1</sup>

Very important segment of the Parliamentary Assembly of NATO is the Economic and Security Committee.

There is no doubt that it is very complicated to established connection between economic growth and the impact of the Euro Atlantic integrative process to the economic growth. This was issue in the process of the Polish integration to NATO, and also it is issue

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<sup>1</sup>See: Resolution 325 on economic development and security, available <http://www.nato-pa.int/default.asp?SHORTCUT=434>, accessed on 14.10.2016.

for any integration, including the integrative processes of Balkan countries to European Union and NATO. As it is underlined by many authors, many factors are involved. Factors, as the follow, other than solely military have to be taken into consideration when the non-military dimension of security is studied: 1) Size of the country. The smaller the economy, the easier it is to change and vice versa; 2) Stability of the economy. The problem here is ascribed to the applied strategy and its effectiveness as well as to the difficulties faced in introducing changes; 3) Stability of the political system. This does not mean that systemic transformation requires stability of the government (as the Polish practice proves). More important is the continuity of the strategy of systemic change; 4) Relations with neighbours should be stabilised and proper; 5) Ability to adjust to changing internal and external conditions; 6) Institutionalisation of external relations; and 7) Opening-up of the economy and the scale of interdependencies which form mutual interests.<sup>2</sup>

For the purpose of this paper, there will be presented data concerning the foreign direct investments, the gross domestic product and the unemployment rate for Macedonia, Albania and Croatia. The comparison with Croatia and Albania is done, since they joined North Atlantic Alliance most recently, and by their configuration, are very close with Macedonia. Also, the all above mentioned countries are geographically close countries.

Once more, usually when those types of analysis are done, it should be stressed that it is complicated to get in correlation the economic growth and the membership in this Alliance. Some very similar (in their nature) analysis concluded the need to be careful not to confuse cause and affect relationships.<sup>3</sup> Most of the countries concerned (even the cited paper is not for Macedonia, Croatia and Albania, it is true for this countries too) have been on the long-term path of structural economic reforms to transition from centralized to free economies, and the holistic development of these countries are undoubtedly important contributing factors in the observed trends.<sup>4</sup> It is also important to separate, to the degree possible, the effects of joining the European Union, which affected economic trends in most countries under consideration<sup>5</sup>

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<sup>2</sup> See: Zukrowska Katarzyna, „The link between economics, stability and security in a transforming economy”, available at <http://www.nato.int/docu/colloq/1999/pdf/269-283.pdf>, accessed on 14.10.2016.

<sup>3</sup> See: „Road to NATO: Sharing Integration and Membership experience - Economic NATO”, Economic Policy Research Center, available at [http://eprc.ge/admin/editor/uploads/files/Nato\\_A4.pdf](http://eprc.ge/admin/editor/uploads/files/Nato_A4.pdf).

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

Another research also observed that „in general, it is difficult to establish a causal relationship between NATO membership and economic growth or increased foreign direct investment, among other reasons because it is so difficult to isolate the impact of NATO membership from the many other factors involved.”<sup>6</sup> Nevertheless, it is widely believed that, reflecting greater stability and security resulting from the process of joining the alliance and then membership, there is a resulting increase in investor confidence and in economic growth and foreign direct investment following becoming an ally.<sup>7</sup>

Analysis of this kind, observing the NATO integration of a country which at the same time has intention to become member of the European Union, is having the dilemma, how to separate the positive influence of the process of integration in European Union, from the positive influence of the NATO integration process.<sup>8</sup>

Nevertheless of the issues from methodological aspect, previously presented, it is widely accepted that the perspective of NATO membership has also influenced institutional development positively.<sup>9</sup> Via one of its five criteria for membership, the NATO induces countries to commit to the rule of law and human rights, the democratic control of the armed forces, and to settle conflicts peacefully.<sup>10</sup> In contrast to the EU and other international organizations, NATO is able to offer regional and international security as a big “carrot” in return for institutional development and is, therefore, able to provide additional incentives beyond economic incentives.<sup>11</sup> Once more, this paper does not tend to be cost benefit analysis of the Macedonian NATO integration process. Also, the global economic situation and the global financial market movements are influencing on the national economies of those countries.

### 1.1. Few indicators as measures for the advantages of Macedonia’s Euro Atlantic Integration

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<sup>6</sup> See: Kriendler Johan, „Ukrainian Membership in NATO: Benefits, Costs and Challenges”, George C. Marshall European Center for Security Studies, available at [http://www.marshallcenter.org/mcpu\\_blicweb/mcdocs/files/College/F\\_Publications/occPapers/occ-paper\\_12-en.pdf](http://www.marshallcenter.org/mcpu_blicweb/mcdocs/files/College/F_Publications/occPapers/occ-paper_12-en.pdf), accessed on 14.10.2016.

<sup>7</sup> Ibid.

<sup>8</sup> Belke Ansgar, at all, „Prospective NATO or EU Membership and Institutional Change in Transition Countries”, Forschungsinstitut zur Zukunft der Arbeit, available at <http://ftp.iza.org/dp4483.pdf>, accessed on 17.10.2016.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

One of the indicators observed in this paper is the gross domestic product (see table 1). According to this criteria, it is obvious that 2008 is very important year for Croatia and Albania. In Albania the growth of the GDP is very obvious, and represent the new surrounding built with the NATO integration. The case of Croatia is little bit different, since Croatia is member of NATO and EU. Analyzing Macedonian GDP it can be concluded that our economic path is in status quo, which means that there is no significant growth of our GDP. Even some countries are in good shape than the others, all of them are bellow the expectation and bellow the average EUs GDP per capita.<sup>12</sup>

(billion US dollars)	Albania <sup>13</sup>	Croatia <sup>14</sup>	Macedonia
2015	11.46	48.72	10.09
2014	13.28	57.14	11.32
2013	12.78	57.77	10.82
2012	12.32	56.49	9.75
2011	12.89	62.25	10.49
2010	11.93	59.68	9.41
2009	12.04	62.7	9.4
2008	12.88	70.48	9.91
2007	8.99	60.09	8.34

Table 1: Gross domestic product of Albania, Croatia and Macedonia (2007-2015)

By analyzing the numbers for foreign direct investments (see: table 2, table 3 and table 4), it is obvious that the year 2008 is very crucial for Albania. While the results for Croatia are not as good as those of Albania, they are better then Macedonian results. In general, it is very important for any investor, foreign or domestic, to be assure that the business environment is risk friendly, founded on the legal certainty and rule of law principles.

<sup>12</sup> If the GDP per capita is observed, than it can be noticed that current Macedonian GDP per capita is higher than Albanian GPD per capita. World Bank, available at <http://data.worldbank.org/indicat or/NY.GDP .PC AP .CD>, accessed on 14.10.2016.

<sup>13</sup> See: <http://www.tradingeconomics.com/albania/gdp>, accessed on 13.10.2016.

<sup>14</sup> See: <http://www.tradingeconomics.com/croatia/gdp> accessed on 13.10.2016.

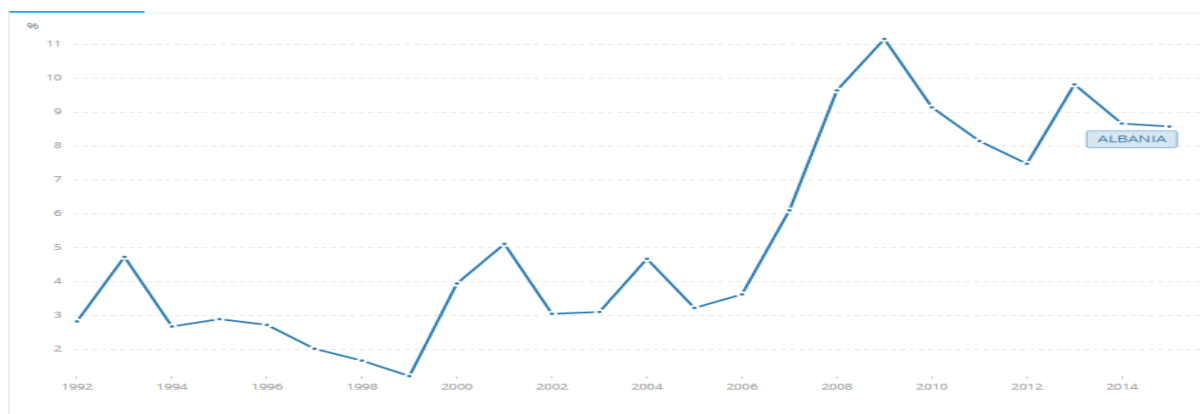


Table 2: Foreign Direct Investments as a percent of GDP, Albania<sup>15</sup>



Table 3: Foreign Direct Investments as a percent of GDP, Croatia<sup>16</sup>

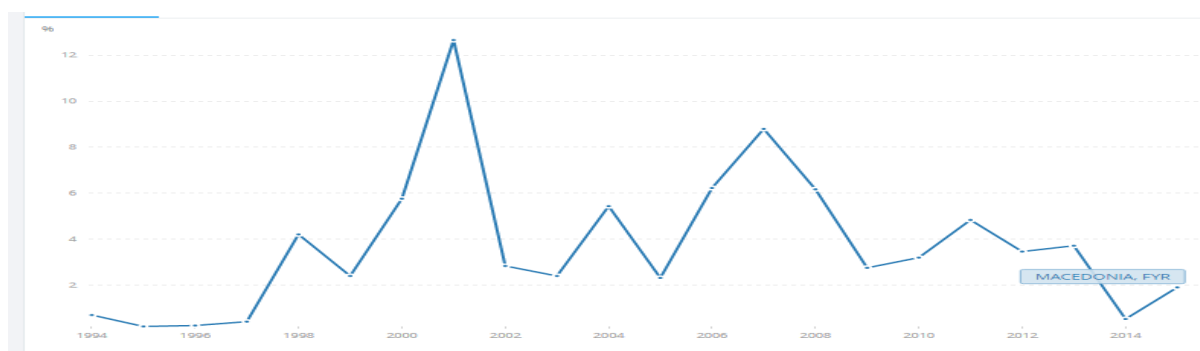


Table 4: Foreign Direct Investments as a percent of GDP, Macedonia<sup>17</sup>

If we observe the data from table 5, 6 and 7 representing the unemployment rate, we can conclude that the unemployment rate is declining in all of the analyzed countries

<sup>15</sup> See: <http://www.tradingeconomics.com/albania/foreign-direct-investment>, accessed on 13.10.2016.

<sup>16</sup> See: <http://www.tradingeconomics.com/croatia/foreign-direct-investment>, accessed on 13.10.2016.

<sup>17</sup> See: <http://www.tradingeconomics.com/macedonia/foreign-direct-investment>, accessed on 13.10.2016.

(Albania, Croatia and Macedonia). The declining maybe is the biggest in Macedonia, but getting in mind the starting point and the unemployment rate at the present, Albania and Croatia are far ahead than Macedonia.

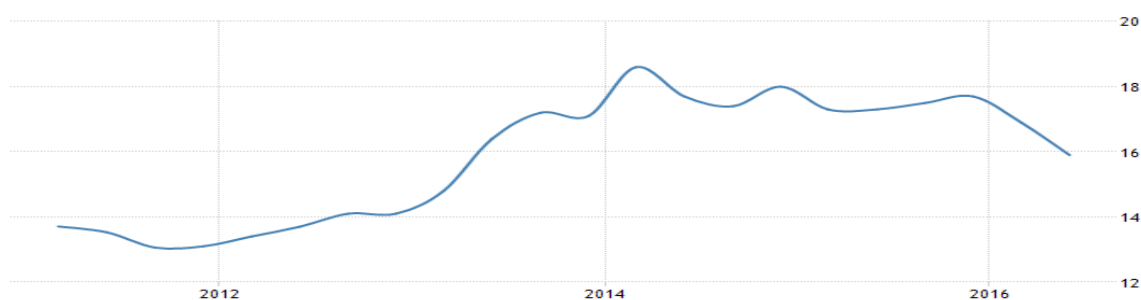


Table 5: Unemployment Rate, Albania<sup>18</sup>

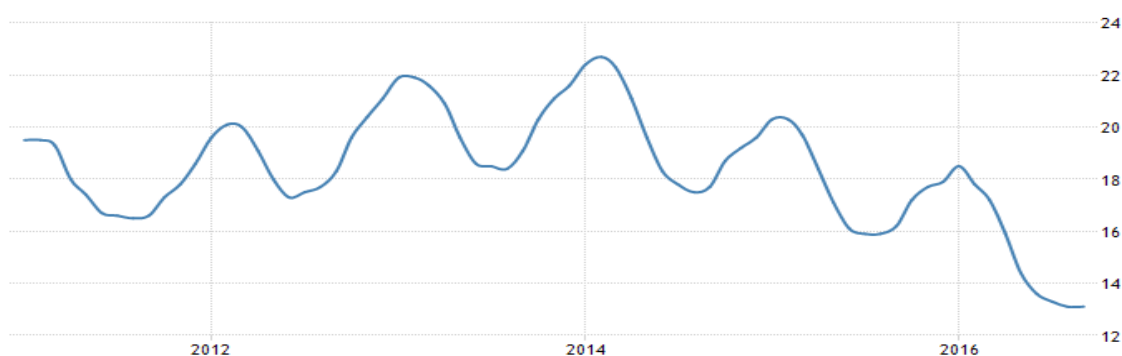


Table 6: Unemployment Rate, Croatia<sup>19</sup>

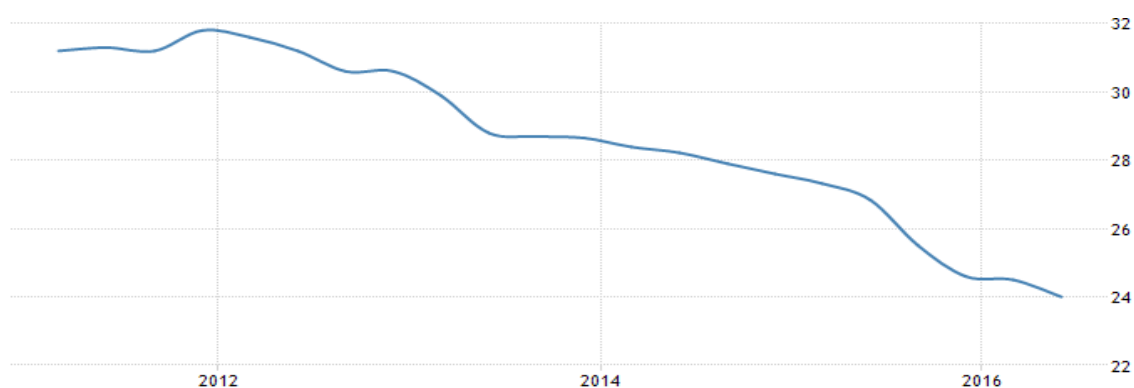


Table 7: Unemployment Rate, Macedonia<sup>20</sup>

<sup>18</sup> See: <http://www.tradingeconomics.com/albania/unemployment-rate>, accessed on 13.10.2016.

<sup>19</sup> See: <http://www.tradingeconomics.com/croatia/unemployment-rate>, accessed on 13.10.2016.

<sup>20</sup> See: <http://www.tradingeconomics.com/macedonia/unemployment-rate>, accessed on 13.10.2016.

## 2. Can a friendship be measured with numbers: Macedonian and NATO Alliance

The values on which we build our society are of the same importance as the foundation upon which we elevate our houses. When we build a society that rests on a solid and true values, even the strongest wind can not sway, can not damage or can not move it. Macedonia had chosen its values, in 1993 with the decision of Macedonian parliament to ask membership in NATO.<sup>21</sup> Affiliations Macedonia's Alliance which promotes the highest values confirmed much earlier.<sup>22</sup>

As it is stated at the official proclamation of the Ministry of Defense, „Macedonia sees NATO as one of the key pillars of modern European security architecture”.<sup>23</sup> In this sense, Macedonia strongly supports the efforts of NATO to transform its defense policy to enhance stability and cooperation in the Euro-Atlantic area.<sup>24</sup> The importance of the joining of this alliance is also noted at the official proclamation of the Ministry of Foreign Affairs where it is stated that „in a short time has grown into a trusted and compliant partner of the Alliance, which actively contributes to the security missions of NATO, EU and UN in the region and the world.”<sup>25</sup>

On 15th November 1995 the Republic of Macedonia signed the Framework agreement for accession to the Partnership for Peace (PfP).<sup>26</sup> In that time, the Republic of Macedonia was also admitted to the North-Atlantic Cooperation Council, later succeeded by Euro-Atlantic Partnership Council.<sup>27</sup> On 14th June 1996 the NATO Liaison Office in Skopje was opened, and in the end of 1997, the Permanent Mission of the Republic of Macedonia to

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<sup>21</sup> See: Ministry of foreign affairs, available at <http://www.mfa.gov.mk/index.php/mk/nadvoresna-politika/celi-i-prioriteti/nato-clenstvo>, accessed on 19.10.2016.

<sup>22</sup> The time in which we live, where our values, i.e. the values of Western civilization on which are based major processes such as the European Union and NATO, is the period of challenging those values. These values, unfortunately, are constantly challenged and sometimes harshly attacked. World War II is the sharpest example when fundamental human rights, primarily the right to life were threatened. It was the time period in Europe in which human dignity had lost its value. Human dignity has been attacked fiercely. At that time the Macedonians did not think twice. Without doubt they stood in defense of the original values of Western civilization, standing shoulder to shoulder with the apologists of Western values led by the United States, France, Britain and other allies. At that time Western allies fought alongside the eastern allies against the Nazis. It was not an alliance that created enemies who conquered territories, but it was an alliance that defended the fundamental civilization values.

<sup>23</sup> See: „Republic of Macedonia and NATO”, Ministry of Defence, available at [http://morm.gov.mk/?page\\_id=5208](http://morm.gov.mk/?page_id=5208), accessed on 17.9.2016.

<sup>24</sup> Ibid.

<sup>25</sup> See: „NATO Membership”, Ministry of Foreign Affairs, available at <http://www.mfa.gov.mk/index.php/mk/nadvoresna-politika/celi-i-prioriteti/nato-clenstvo>, accessed on 19.9.2016.

<sup>26</sup> See: „Republic of Macedonia and NATO”, Ministry of Defence, op.cit.

<sup>27</sup> Ibid.



NATO was established.<sup>28</sup> The Mission has its HQ in Brussels. In April 1999 at the NATO Summit in Washington the Republic of Macedonia was given the status of a candidate country and, afterwards, it started the preparation and realization of the Membership Action Plan (MAP).<sup>29</sup>

In 2002 Republic of Macedonia started its participation in international peace-keeping missions as it follows: Afghanistan in 2002, Iraq in 2003, and the EU mission in Bosnia and Herzegovina in 2006 and UN Mission in Lebanon.<sup>30</sup> In the last six-month rotation, Republic of Macedonia participated with 174 people which are nearly 3% of the overall staff of the ground forces of ARM, deployed in three international operations: ISAF, ALTHEA and UNIFIL.<sup>31</sup> The Republic of Macedonia reaffirmed readiness within their possibilities and mandate given by the Alliance, to actively participate in the joint efforts within the frames of the future NATO Mission in Afghanistan “Decisive Support” in terms of training, counselling and providing help to the Afghan security forces.<sup>32</sup> From a regional point of view, Republic of Macedonia still gives full logistic support to KFOR forces in Kosovo through the Host Nation Support Coordination Centre (HNSCC) in Skopje.<sup>33</sup>

NATO, is showing great amount of solidarity for Macedonia, throughout the years. Months ago we witnessed the solidarity with the floods in the area of Skopje.<sup>34</sup>

North Atlantic movement protects borders or countries, or individuals, or political elites, but also protects the generally accepted values that are inseparable and immanent to every person and which are the basis of Western civilization.

North Atlantic Alliance is more than an institution. It is a progressive social movement, an avant-garde at the time of its inception, the most distinguished defender of Western civilization values in today's world relations. The basis of the movement are set in safeguarding the principles of democracy, individual freedoms and the rule of law.

Recalling the founding act of the United Nations, in its Preamble, the North Atlantic Alliance became its promoter and defender. North Atlantic movement identifies with the values the United Nations stands for.

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Equipment of KFOR was engaged in the area of Skopje, as a support for the local population in order to eliminate the consequences of the flood disaster. See: <http://www.telma.com.mk/vesti/arm-na-teren-im-pomaga-na-poplavenite-vkluchena-i-mehanizacijata-na-kfor>

North Atlantic movement covers 28 countries in which 906 million people are living. Timeframe of 67 years, that determines the entire period without a war between countries that are incorporated in this movement.

NATO stays strong proponent of the concept of peace building<sup>35</sup>. The recent case of Bosnia and Herzegovina is example of peacekeeping engagement of NATO in the region of South East Europe.<sup>36</sup>

One of the most prominent world politicians who support the idea of Macedonia's joining the NATO is USA President **George W Bush**, for which he received the award Order of Macedonia.<sup>37</sup>

The support of North Atlantic integration of Macedonia, was also included in to the agenda of the administration of the USA President Barak Obama. Namely, for this issue, there is strong engagement of the United States Assistant Secretary of State.<sup>38</sup>

There is very broad consensus on the Macedonian political scene for entering the NATO and EU. There is both inter-party and inter-ethnic consensus for Euro Atlantic integration.<sup>39</sup>

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<sup>35</sup> See: For the concept of peace building see: Charles T. Call, Elizabeth M. Cousens, „Ending Wars and Building Peace: International Responses to War-Torn Societies”, International Studies Perspectives, available at <http://peacealliance.org/cms/assets/uploads/2013/05/Ending-Wars-Building-Peace.pdf>, accessed on 19.9.2016.

<sup>36</sup> See: Eglè Elena Šataitė, „Peace-Building Operations: The Case of Bosnia and Herzegovina”, available at [mercury.ethz.ch/serviceengine/Files/ISN/121679/ichaptersection.../Chapt.+4.pdf](http://mercury.ethz.ch/serviceengine/Files/ISN/121679/ichaptersection.../Chapt.+4.pdf), accessed on 19.9.2016.

<sup>37</sup> See: George W Bush presented with the Order of Macedonia, Macedonian Information Agency, available at <http://www.mia.mk/en/Inside/RenderSingleNews/315/132824276>, accessed on 19.9.2016.

<sup>38</sup> "Our message to Macedonia is equally tough: every opportunity for unity and prosperity awaits you; NATO and EU membership await you." Statement of the United States Assistant Secretary of State, Victoria Nuland, 11 July 2015, available at <http://www.independent.mk/articles/19631/Nuland+Calls+Macedonian+Leaders+to+Implement+Political+Agreement>, accessed on 21.9.2016

<sup>39</sup> See: „Членството во НАТО - Гаранција за влез на странските инвеститори”, SDSM, available at <http://arhiva.sdsd.org.mk/default.aspx?mId=55&agId=5&articleId=2387>, accessed on 21.9.2016; and „Влез во НАТО и во ЕУ останува наша стратешка цел”, VMRO DPMNE, available at <http://vmro-dpmne.org.mk/?p=26519> <http://m.dw.com/mk/%D0%B0%D1%85%D0%BC%D0%B5%D1%82%D0%B8-%D0%B2%D0%BB%D0%B5%D0%B7-%D0%B2%D0%BE-%D0%BD%D0%B0%D1%82%D0%BE-%D0%B7%D0%B0-%D1%80%D0%B5%D0%BB%D0%B0%D0%BA%D1%81%D0%B8%D1%80%D0%B0%D1%9A%D0%B5-%D0%BD%D0%B0-%D0%BC%D0%B5%D1%93%D1%83%D0%B5%D1%82%D0%BD%D0%B8%D1%87%D0%BA%D0%B8%D1%82%D0%B5-%D0%BE%D0%B4%D0%BD%D0%BE%D1%81%D0%B8/a-17786106>, accessed on 22.9.2016.

Macedonia geographically and by sharing same values, belongs to the Euro-Atlantic alliance of values. For these reasons all the efforts of the Macedonian society should be determined in the direction of joining the Euro-Atlantic values.

### 3. Final remarks

There are two main conclusions which are coming from this paper. First, the friendship based on common values, founded in the genesis of the Western civilization cannot be measured with numbers. The purpose of Euro Atlantic Movement is to provide prosperity and welfare by peace building. Second, if we still try to measure the correlation between NATO integration and economic growth, there is no dilemma that providing security and rule of law is precondition for economic growth. Getting in mind the methodological problems described in this paper, it cannot be measured exacted percent of influence of the integrative process to the economic growth. But, the standards that should be fulfilled by the countries candidates for membership in NATO, are influencing on the economic development of the country as a whole. Therefore, there is no alternative for Macedonian integration in the Euro Atlantic Movement.

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