ANALYSIS

ECONOMY AND FINANCE

UNLOCKING ECONOMIC POTENTIAL BETWEEN GREECE AND NORTH MACEDONIA

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Despite the bilateral dispute, the two countries managed to develop economic ties over time, regarding trade, direct investments and tourism

To unlock the existing economic potential, both countries should ease trade and transport restrictions, support joint ventures in energy and logistics, and boost cross-border investments through a joint Innovation Fund.

In addition to the economic benefit for both countries, fostering tourism can contribute to intense intercultural communication and thus create positive spillovers for other industries.

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ECONOMY AND FINANCE

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Foreword

In 2018 the official negotiations to resolve the name dispute between Greece and North Macedonia started again. Friedrich-Ebert-Stiftung, with its offices in Skopje and in Athens, decided to facilitate a dialogue among civil society representatives from both countries. The dialogue was designed to identify fields for cooperation as well as current obstacles to understanding among the societies. In the series of meetings organised by FES in both countries, the constituted working group identified key areas in which dialogue and cooperation could contribute to improving bilateral relations in the coming years and unlocking potential for cross-border cooperation in support of an agreement between the two countries.

With the Prespa Agreement signed, FES continues to engage with its partners in supporting the implementation process. In order to identify the advantages for the populations on both sides, FES is investigating the potential economic advantages of closer bilateral and regional cooperation. North Macedonia has received the green light to start accession talks with the European Union – tied to the full implementation of Prespa Agreement – and there is significant potential if the agreement facilitates deepening trade and business relations in the region. This paper provides a practical overview of the existing fields of economic cooperation and points towards sectors and measures that can further unlock the potential for cooperation.

We hope this publication provides policy makers with ideas for reform, investment and engagement, and motivates both sides to benefit from the opportunities the Prespa Agreement provides economically. The deepening of the relations between Greece and North Macedonia can contribute to a more stable region and better cooperation among EU Members and candidate countries in the Balkans.

Skopje and Athens, September 2020

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INTRODUCTION

Spatial proximity intensifies all kinds of relations: political and socioeconomic, cooperative or competitive. This is actually the core of Balkan history from the time of the great empires to the contemporary epoch of post-imperialistic antagonisms that exacerbate local hostilities and precipitate regressive, catastrophic collisions. Nevertheless, starting from the deepest historical roots, along with the dark times in South-Eastern Europe, there are bright periods of brilliant contributions of local and global significance.

When spatial proximity comes together with socio-cultural proximity and the political will for sustained respect and understanding, the prospects for a positive, bilateral economic outcome grow considerably. This is the main message of the present paper. A message that has often been argued in the last two and half centuries in the Balkans, starting with scholars and revolutionaries in the first half of 19th century representing the local upsurge in national and social revolutions of that time (Lyratzopoulou and Zarotiadis, 2014).

We strongly believe that, in a time of exploding communications possibilities and exponentially rising productivity of labour, despite, or perhaps because of, the persistent deepening of structural economic crisis, along with the risks, the conditions for exploiting our progressive prospects are maturing.

In order to contribute in this direction, in the following pages we aim to study the economic potential between Greece and North Macedonia and also to conclude on proposals for unlocking it. For this purpose, we first analyze briefly the current situation in general. Next, we proceed by focusing on the bilateral economic potential, and finally we provide a bundle of interconnected ideas for common actions and initiatives.

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SITUATION SO FAR

2.1 GENERAL OVERVIEW

Greece and North Macedonia experienced non-satisfactory economic growth in the past two decades. From 2000 to 2019, Greece's average real GDP per capita growth rate was 0.17%, while the corresponding rate for the EU-28 was 1.17%. Nevertheless, we need to clarify that this is due to the disastrous crisis of the past decade. If we make the same comparison for 2000 to 2009, the Greek economy experienced a growth rate more than double that of the Union as a whole (2.28% annually, against 0.96%, respectively). On the other hand, the average real GDP growth rate in North Macedonia for the same period is characterized by a higher average growth rate (2.7%). However, it was not sufficient to provide the desired speed of convergence with the EU. The World Bank (2018) argued that with this average growth rate, a child born today in the North Macedonia will need 75 years to achieve convergence with the average EU income level (for a similar argument, see Zarotiadis and Gkagka. 2013).

Over time, the two neighboring countries managed to develop economic ties in trade, direct investments and tourism. Nevertheless, their bilateral relations have been negatively affected by political disputes and constraints holding the intensity of flows below the actual potential.

Figure 1 (p. 5) presents the bilateral trade dynamics. The first graph shows the trade volume based on data from Greece, while the graph on the right depicts the same, but based on data from North Macedonia. Despite level discrepancies in the reported data between the two countries, the trends revealed are the same.[1]

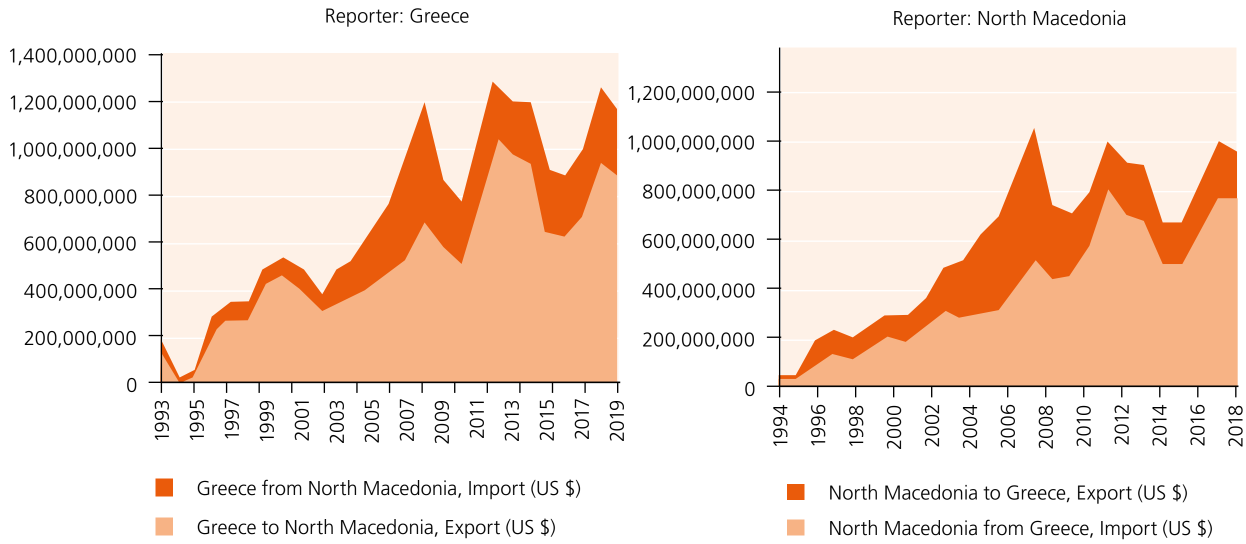
Based on the data reported by Greece, the total trade volume was 174 million dollars in 1993, which was further reduced by the Greek trade embargo on North Macedonia in 1994 and 1995 (19 months). Following the Interim Accord in 1995 and the removal of the embargo, bilateral trade gradually increased. It first reached 534 million dollars in 2000 and declined in 2001 and 2002 due to the domestic conflict in North Macedonia. From 2003, it continued an upward trend reaching almost 1.2 billion dollars in 2008, repeating this volume multiple times in the past decade, shaped also by drops induced by the global financial and debt crisis.

Greece has continuously maintained a strong trade surplus with North Macedonia. In 2019, Greece exports to North Macedonia came to 889 million dollars (2.3% of the country's total exports), with the trade surplus at 610 million dollars. The bilateral trade structure by broad economic categories is provided in table 1A in the appendix. The first three categories of Greek exports to North Macedonia are fuels and lubricants, processed (581 million dollars); industrial supplies, processed (190 million dollars); and food and beverages (27 million dollars). The detailed structure is provided when looking at the specific commodities of Greek exports to North Macedonia (table 2A in the appendix). There is a relatively high degree of industrial concentration, as the top 10 commodities provided in the table account for 86.6% of total exports. The five most exported commodities are mineral fuels, mineral oils and products of their distillation (597 million dollars); iron and steel (67 million dollars); fabrics (17 million dollars); fruit and nuts (16 million dollars); and boilers, machinery and mechanical appliances, parts (13 million dollars).

Based on the data reported by North Macedonia, Greece was the 7th largest export destination for North Macedonia in 2019, with an export value of 190 million dollars (2.7% of North Macedonia's total exports). The top three economic categories of these exports are industrial supplies, processed (72 million dollars); industrial supplies, primarily (68 million dollars), and consumption goods, semi-durable (24 million dollars). The mirroring of the tables 1A and 1B show that the main difference in reporting between Greece and North Macedonia trade is in the category fuels and lubricants, processed. The five most exported commodities to Greece are iron and steel (46 million dollars); tobacco and manufactured tobacco substitutes (40 million dollars); apparel and clothing accessories (30 million dollars); salt,

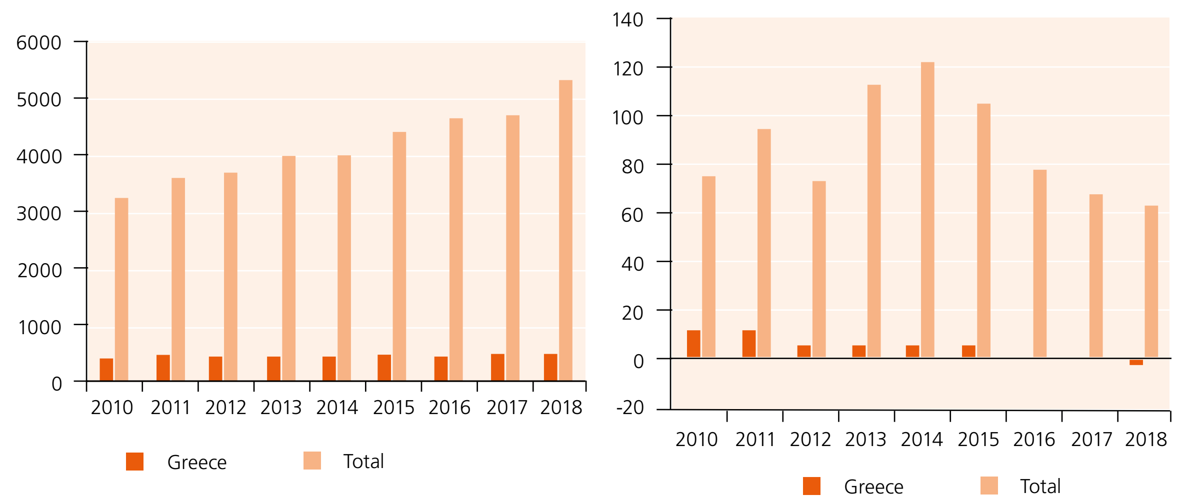
1 Experience from other countries' mirror statistics analysis suggest that a possible explanation for trade volume discrepancies could be the usage of different valuation systems or differences in calculations of import duties and domestic taxes. However, Greece and North Macedonia use the same standards for valuation of trade. The value for exports is calculated in terms of F.O.B (Free on Board) and the value of imports is calculated in terms of C.I.F (Cost, Insurance and Freight). Also, neither country includes import duties or domestic taxes in the value of exports and imports.

Figure 1
Bilateral Trade, 1993-2019



Source: UN Comtrade Database.

Figure 2
FDI in North Macedonia, in total and from Greece (left diagram) - FDI from North Macedonia, in total and to Greece (right diagram) 2000-2018



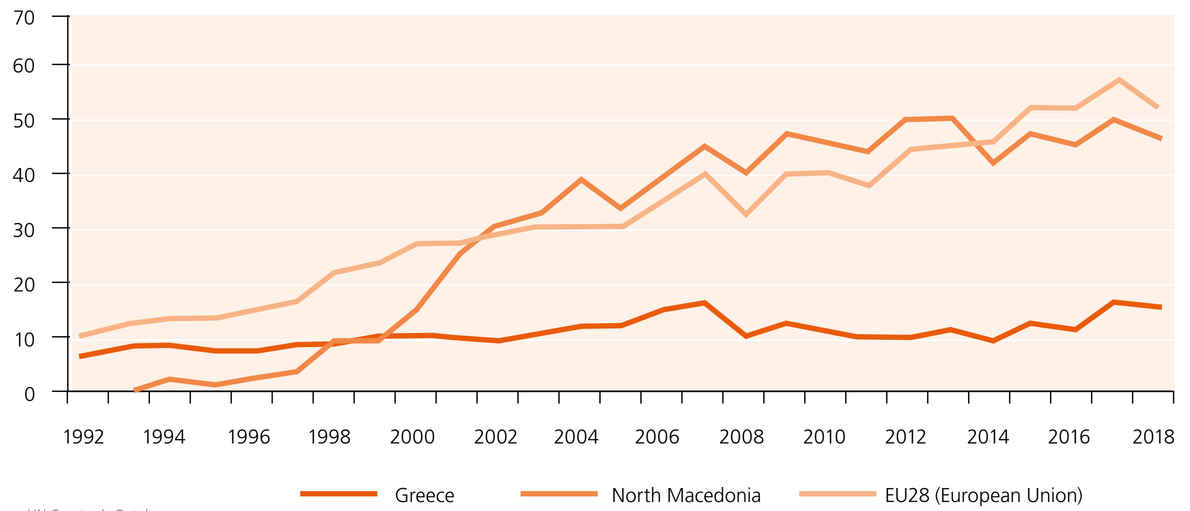
Source: National Bank of North Macedonia

earths, stone; plastering materials, and cement (13 million dollars); and iron and steel articles (12 million dollars).

Capital inflow from Greece to North Macedonia was concentrated mostly in the period 1997-2003, with several big acquisitions: Usje cement by Titan Cement (1998), OKTA refinery by Hellenic Petroleum (1999), Stopanska Bank by the National Bank of Greece (2000) and Alpha Bank Skopje by Alpha Bank Athens (2000). In addition, Veropoulos opened the first market in 1997 and Cosmote Group founded a second mobile phone operator in North Macedonia in 2003, which sold to Slovenia's Telekom in 2009. Figure 2 presents the stock of direct investments from Greece to North Macedonia. The nominal value of the stock is stable in the range between 431 million euros in 2010 to 488 million euro in 2018, showing a fall in Greek capital stock as a relative share of total FDI stock in North Macedonia (from 13% in 2010 to 9% in 2018). Meanwhile, direct investments from North Macedonia to Greece accounted for 13% of total stock outflow (12 of 94 million euro) in 2011, but fell during the debt crisis. For comparison purposes, figure 3 provides the development of the total stock of FDI as share of GDP in both countries.

Tourism is a sector that needs special attention, not only because of its economic importance for both countries, but also due to the resulting intensification of intercultural communication and the positive spillovers for other industries. Greece is one of the most attractive tourist destinations in Europe, and tourism accounts for almost one fifth of the country's GDP. North Macedonia has consistently had a very high contribution to the total number of tourists in Greece.

Figure 3
FDI total stock, percent of GDP, 1992-2018



Source: UN Comtrade Database.

Figure 4
Touristic flow from Greece in North Macedonia, 2000-2019

Source: State statistical office of the Republic of North Macedonia

For example, North Macedonia was second largest source of foreign tourists in Greece in 2014, while it had the highest number of tourists visiting Greece in 2015, which was nominally 3 million visits or 12.8% of total foreign tourist visits (Hellenic statistical authority, 2016), followed by German (11.9%), UK (10.2%), Bulgarian (8.1%), French (6.4%) and Italian (5.7%) visitors. The significance of the number of visitors from North Macedonia has risen continuously and significantly over the past decade. In 2011 it reached almost 1.25 million citizens of North Macedonia, which was 7.5% of total tourists. Moreover, tourist inflow from North Macedonia is traditionally more strongly distributed over the whole year. Given that other inflows are highly concentrated in the summer season, this is an additional important feature for the Greek economy.

Similarly, Greek visitors to North Macedonia have also risen in absolute numbers. Figure 4 presents the relevant dynamics of touristic flows from Greece, reaching 57,000 in 2019. The share of Greek tourists may be falling, but this is due to the greater increase of other national groups visiting North Macedonia in the past decade.

2.2 THE ECONOMIC ASPECTS OF THE PRESPA AGREEMENT

The Prespa agreement, apart from its main purpose of resolving the decades-long political dispute between the two countries, also includes important articles on bilateral economic linkages and further bridging the business communities. As a matter of fact, this would in any case be a normally arising process due to the spatial and cultural proximity, regardless of exogenous, political aggravations. In that sense, in articles 13 and 14 the Agreement wants to meet the prerequisites for directly stimulating economic cooperation, such as:

- Relevant provisions of the United Nations Convention on the Law of the Sea to be used when applicable;
- Capitalization on and utilization of the existing confidence building measures, constituting a mutually beneficial cooperative platform, which should evolve into an Action Plan;
- Encouragement of mutual investments and taking all necessary measures for their effective protection, including measures against excessive bureaucracy and for overcoming institutional, administrative and tax barriers;
- Refrain from imposing any impediment to the movement of people or goods;
- Development and boosting of cooperation, with regard to energy, notably through the construction, maintenance and utilization of interconnecting natural gas and oil pipelines and with regard to renewable energy resources;
- Promote, extend and improve cooperative synergies in the areas of infrastructure and transport, as well as on a reciprocal basis, road, rail, maritime and air transport and communication connections, using the best available technologies and practices;
- Improvement and modernization of the existing border crossings and construction of new border crossings with a view to boosting touristic and commercial flows; measures to ensure the protection of the environment and the preservation of the natural habitat in the trans-border waters and the surrounding space;
- Broadening of tourist exchanges and development of cooperation in the fields of alternative tourism; and
- Establishment of a Joint Ministerial Committee in order to attain the best possible cooperation in the abovementioned sectors of economic partnership, including through the organization of joint business fora.

The above summary of these aspects of the Agreement (i) confirm that the two states recognize the importance and further potential of the relationship between the two economies, while it (ii) demonstrates that special emphasis is placed on strengthening sectors that have already shown, as we have seen, significant results and prospects. In the next section of this paper we will focus more on the latter in order to conclude by proposing further political and socioeconomic initiatives.

3

THE ECONOMIC POTENTIAL

As already argued in the introduction, spatial proximity intensifies all kinds of relations: political and socioeconomic, cooperative and competitive. Moreover, when spatial proximity comes together with socio-cultural proximity and the political will for sustained respect and understanding, the prospects for a positive, bilateral economic outcome grow considerably.

The special characteristics of Greece and North Macedonia – as well as their recent economic history and the wider circumstances in South-Eastern Europe in the context of a newly arising bipolarized economic architecture globally – point to five distinct areas where economic potential for and between the two countries can be unlocked.

First, **bilateral trade** is critical matter not only because it establishes stronger business-to-business and business-to-customers bonds, but also because it strengthens the international competitiveness of producers in both countries: serving a bigger market (i) improves scale benefits of local firms, (ii) broadens the prospects of outsourcing intermediates and services in a reasonably short distance and (iii) enriches the incentives and the reasons for process and product innovation. Moreover, according to the standard "comparative advantage" hypothesis, and especially the concepts in the theory of multinationals, trade will reinforce all other types of socioeconomic relations that are referred to in the following paragraphs.

Bilateral trade potential could be estimated using the gravity model of trade between 10 countries of Southeast Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Montenegro, North Macedonia, Romania, Serbia and Turkey). The linear form of the model is as follows:

$$Log(IMP_{ij})=\alpha+\beta Log(Y_i)+\gamma Log(Y_j)+\delta Log(D)+\sum_{s=1}^{3}\lambda_S G_S$$

where $IMPij$ is the flow of imports into country i from country j, Yi and Yj are countries' GDPs, D is the geographical distance between the countries' capitals and Gs represents the set of other factors that influence trade represented with dummy variables. Here, we use the following three variables: (1) sharing a common land border, (2) both countries being CEFTA members and (3) using the common EU market.[2] The sources of data are the UN Comtrade database for bilateral imports (measured in dollars), the IMF World Economic Outlook 2019 for countries' GDPs measured in PPP international dollars, and Google maps for the distance between the capitals. The estimated coefficients of the model using data from 2018 are:[3]

$$Log(IMP_{ij})= 0.387\times Log(Y_i)+1.053\times Log(Y_j)-0.340\times Log(D)+1.830\times G_1$$

If we use the above estimated version of the model, we suggest that bilateral trade between North Macedonia and Greece should be 25% higher than realized in 2018, which reveals the untapped, standard potential with respect to trade flows.

Second, given the reinforcement of B2B trade of semi-finished products and intermediates, as well as that of capital mobility from the one country to the other – in our case, as we saw, mainly from Greece to North Macedonia – bilateral collaborations in investments can go even further, towards **common productive initiative**, either in expanding existing businesses or in initiating joint start-ups.

Iossifov (2014) highlights in his ECB Working Paper the role of global value chains in the synchronization of economic activity between countries in Central and Eastern Europe (CEE) and the Euro area, focusing especially on the rise and the importance of cross-border production chains for the CEE economies. The paper provides strong evidence for how CEE exporters have started to set up their own value chains in the region. Also, in the collective volume edited by Smallbone, Welter and Xheneti (2012), we have a collection of regional reports on cross-border co-production initiatives across Europe, in and outside the EU, where the innovation intensity and competitiveness of these is revealed.

2 The idea of the so-called "gravity" model for analyzing trade and/or capital flows is taken from Newton's gravity law in mechanics. The trade flow between two countries is proportional to the product of each country's 'economic mass', generally measured by GDP, each to the power of quantities to be determined, divided by the distance between the countries' respective 'economic centres of gravity', generally their capitals.

3 The intercept (α) and the dummy variables for CEFTA membership and for using the common EU market are excluded from the model since the coefficients are not statistically significant on a 5% level. All of the presented coefficients are significant on a 1% level, except distance, which is significant on a 5% level.

The European Commission wants to support economic cross-border integration through the European Cluster Collaboration Platform. Consider for instance the Startup Europe for Growth Call for Proposals in 2018 that was supposed to distribute a budget of EUR 10 million among ecosystems builders and leaders who want to work with other ecosystems across Europe, aiming at connecting local tech startup ecosystems and supporting cross-border activities.[4]

In that sense, especially in the cross-border area, local semi-autonomous producers in branches of revealed comparative advantages could proceed with mutual schemes of modern cooperatives, promoting new methods of networking and clustering, whereby preservation of producers' (semi-)autonomy with respect to the differentiated offered goods goes together with the utilization of economies of scale in specific segments, for instance, when designing and promoting goods and/or services, in establishing start-up incubators and pre-incubators, in the areas of transportation and logistics, access to financial resources, access to and use of big data and specialized databases, and interconnectivity in the context of the circular economy.[5] Therefore, as a third area of economic potential for the two economies, agriculture and related food industries, as well as tourism, are sectors where this potential could easily be reclaimed, generating **joint ventures for extroverted economic expansion.**

In a given economic environment, controlling the routes gradually becomes more important than controlling any agglomeration itself. Therefore, functioning as a **node for transit trade and relevant logistics** is the fourth type of economic potential for both countries: controlling one of the main corridors in the Eurasian flow of goods, capital and people, if bilateral relations evolve in a proper way, would extend the economic significance of Greece and North Macedonia far beyond the Balkans. Starting from the two main Greek ports – Piraeus and Thessaloniki – up to the border and into inland North Macedonia and Bulgaria, as far as the two capitals – Skopje and Sofia – the region could serve as a transit trade and logistics valley of global importance.

Last but not least, in full accordance with the above, there is a fifth area of economic potentials arising, under the preconditions of a sustainable interbalkan scheme of public and private collaboration: the prospects of major **joint public infrastructure projects**, especially with respect to a mutual connectivity agenda for the region – road, railways and energy – that could easily attract funding from Europe and farther afield. Revealing the Balkans as a major pathway in regional energy flows, on the one hand, along with the fact that the Eastern Mediterranean, from being a main route for the mobility of products, is being upgraded into a crossroads of global geo-economic importance – think of the improved navigation in the North Sea and the Pole, which provides an additional reason for connecting the Baltics and the North-Eastern European Ports – increases the economic and political attractiveness of investing in South-Eastern European infrastructure. This will be amplified even more when the major disincentive of the region – namely, the persisting antagonisms – is removed.

4 https://www.clustercollaboration.eu/news/startup-europe-growth-call-proposals

5 Check the recent Own Initiative Opinion of the European Economic and Social Committee "Use-value is back: new prospects and challenges for European products and services", adopted on 11/12/2019 (INT/883-EESC-2019-01356-00-00-AC-TRA).

4

HOW TO UNLOCK THE POTENTIAL

In this fourth part of the paper we discuss the strategic orientation of the two countries and the respective policies that could be applied for tapping the potential for a linked, socioeconomic developmental path. We start by focusing on initiatives based on bilateral state relations; we then proceed with bilateral relations in the private sector, especially between firms and business associations; third, we analyse the especially promising institutional cooperation in the education and R&D sector, and finally we discuss the role of the two economies in an evolving international labor sharing process.

4.1 BILATERAL STATE RELATIONS

4.1.1 Develop and publish the comprehensive Action Plan envisioned in the Prespa Agreement

The two states have committed to intensification and enrichment of the cooperation between them. Emphasis should be put on, but not limited to, agriculture, energy, environment, industry, infrastructure, tourism, trans-border cooperation and transport. The Agreement envisions that all these sectors should be incorporated into a comprehensive Action Plan during the course of the development of bilateral relations. The process was intensified following the signing of the Agreement, but due to elections in both countries and the outbreak of the Covid-19 pandemic it was put on hold. Hence, both countries should focus on finalizing the establishment of the bilateral Committee responsible for drafting and publishing the Plan that will serve as a comprehensive framework for the future actions between the two countries.

4.1.2 Exploring the opportunities for establishing a one-stop-shop for a certain number of excise goods

Deepening trade integration is crucial for intensifying Greece-North Macedonia trade relations. At the same time, improvement of transport facilitation between the two countries can bring positive outcomes to overall trade throughout the region.

Following the completion of Corridor X on the North Macedonia side, it is evident that transportation of goods has become faster, but in order to further facilitate trade and create favorable conditions to establish Corridor X as a main transport corridor for the whole of South-Eastern Europe, more needs to be done to overcome the obstacles that slow down trade and transportation of goods and passengers. Empirical studies of South East Europe (using the gravity model) suggest that the number of days spent at the border and the costs paid in both importer and exporter countries had a significant negative influence on the volume of trade (Tosevska and Tevdovski 2014). Therefore, both countries have to look for opportunities to reduce transportation time and allow goods to flow smoothly. Even though the idea of a "one-stop-shop" has limited scope, if we take into consideration that Greece is a member of the European single market, there are still opportunities for easing certain segments of trade.

For instance, improving the cooperation at border crossings in the direction of information exchange and trade of excisable goods, electronic data exchange and application of IT systems, as well as experience in resource management from collection resources. Hence, urging both governments to intensify the preparation of a bilateral agreement that defines the procedure for exchange of relevant information on excise goods (preferably by the most appropriate electronic route) by applying an effective e-exchange solution between the Evzoni and Bogorodica customs offices and the possibility of establishing a "one-stop-shop" for mineral oils at the Bogorodica border crossing should be considered.

Aside from facilitating trade through introducing new customs mechanisms, finalization and modernization of railway infrastructure along Corridor X (including all its legs) is crucial to opening new modes of transportation. Hence, both governments should consider investing in strengthening their railway connectivity, which is not only important for their bilateral trade, but also plays a vital role in regional connectivity.

4.1.3 Establishment of a joint innovation and technology development fund

Innovation is an essential driver of economic progress that benefits consumers, producers and the economy as a whole. One of the major benefits of innovation is its contribution to economic growth via increasing productivity.

Institutionally supporting innovation and technological development could play a vital role in ensuring a favorable environment for new joint productive ventures. Hence, the establishment of a joint governmental fund for supporting joint innovation and technology ventures could be a driving force for new business opportunities and could increase competitiveness on the global market. This could support initiatives such as financing of interconnecting technology commercialization and research-driven innovations, pooling of resources (both intellectual and material), sharing entrepreneurship knowledge and transferring know-how between the two countries.

At the same time the fund could serve as a catalyst for strengthening research capabilities and promoting research excellence by providing stable, transparent and merit-based support for research with the single goal of supporting innovation that has the potential to be commercialized. The fund could also introduce a technology transfer program designed to stimulate industry-science collaboration, encourage marketable research results and value-creation. In addition to the fund, both countries should create an enabling environment for joint ventures in fin-tech and financial services.

4.1.4 Joint project for reduction of the discrepancies in bilateral trade data

The aim of the joint project of the statistical bureaus of Greece and North Macedonia should be to explain the discrepancies in trade data and to propose ways to reduce these discrepancies in the future. Discrepancies in bilateral trade data is common. In general, it results from usage of different definitions and methodologies in the valuation of exports and imports. However, it could be problematic if the discrepancies are the result of misreporting, especially of excise goods, such as oil. Therefore, many countries undertake studies in order to understand the reasons for bilateral discrepancies. Good examples are the mirror statistics exercise among the Nordic countries (Statistics Norway, 1998) and the report on the statistical discrepancy of merchandise trade between the United States and China (UN Joint Commission on Commerce and Trade, 2012). Hence, statistics institutions from both countries should intensify their relations and seek the most suitable method for accurate data exchange. This will ensure accuracy in export and import data, but will also help other authorities, such as Customs and Police, to identify possible fraud or smuggling attempts.

4.2 BILATERAL PRIVATE RELATIONS, INTER-ENTREPRENEURIAL AND BETWEEN BUSINESS INSTITUTIONS (CHAMBERS, ASSOCIATIONS, ETC.)

4.2.1 Establishment of a bilateral Chamber of Commerce of Greece and North Macedonia

The Association of Balkan Chambers (ABC) is a very well-established entity that works on development of cooperation among the business communities in the Balkan region, as well as with third parties. The largest Economic Chambers of both countries are active members of the Association. Therefore, both business communities use the benefits of this regional association to deepen and improve their relations. However, the mission of this association is multilateral, while establishing a bilateral Chamber of Commerce focused on overcoming bilateral issues and establishing stronger relations between businesses operating in both markets will create a key pillar for developing future economic ties between the two countries.

4.2.2 Develop joint cross-border adventure tourism

Both Greece and North Macedonia are becoming popular travel destinations for adventure tourism. The great geographical location, the vast mountain ranges and rock formations, natural lakes and deep canyons are some of the features that should be emphasized in a joint adventure tourism initiative.

Even though Greece is one of the top travel destinations in the world and its tourism industry is one of the most developed, travel trends are changing worldwide. Young travelers are looking to discover new places far from the crowded tourist spots. This gives both countries an opportunity to consider investing in cross-border infrastructure projects and adventure facilities for attracting tourists from all over the world.

4.3 BILATERAL INSTITUTIONAL COOPERATION ON EDUCATION AND R&D

Amplifying the accumulation of available capital in the region – in times of (almost) perfect spatial mobility of capital, mostly from all over the world and not necessarily from domestic accumulation processes – is one important prerequisite for releasing any existing dynamic for development. Widening the availability of a skilled labor force, on the one hand – especially in terms of qualitative improvement of human capital – and, on the other hand, the development of knowhow and technology in the region are of the same or even greater significance.

Obviously, the advancement of human capital and applied knowledge, being developed locally or mitigated from abroad, is highly related to the educational system and the R&D sector in the region. Moreover, the major sector where these two procedures are being served simultaneously is academia, the tertiary sector of education and research.

The perspectives for far-reaching, dynamic collaborations among universities and research institutes do exist and have been at least partly utilized even in previous decades. There are some indicative examples of this:

- The Association of Economic Universities of South and Eastern Europe and the Black Sea Region (ASECU, http://www.asecu.gr/), founded in 1996, where institutions of both countries played a crucial role from the beginning. Annual scientific conferences, sustaining an international periodical, several social and educational initiatives and, additionally, the creation of ASECU Youth, where students of the region participate and collaborate more closely, furthering the prospects for a collaborative, socially and technologically advanced future.
- The Balkan University Association (BUA, http://www.baunas.org/) is another example of this potential. Its primary aim is to determine a leading vision through the universities, libraries and research centers in Balkan region, while also promoting intercultural dialogue on

the importance of the region and forming lasting and solid scientific cooperation.

– Another case revealing the potential benefit of networking among universities in North Macedonia and Greece is the recently established (May 2018) Black Sea and Eastern Mediterranean Academic Network (BSEMAN https://bseman.net/), which includes academic institutions from all countries of the region, as well as any public and private entities aiming to intensify joint educational and research activities.

The above examples serve as an indication of the multiplicative effects of bilateral cooperation in terms of educational outcome and R&D applications. Not only because the fertile environment of cross-border academic interrelations throughout South-Eastern Europe will be more effectively utilized by consortia consisting of Greek and North Macedonia institutions, but also because this will generate relevant collaborations with direct economic and financial impact.[6]

4.4 TRENDS IN GLOBAL GEOECONOMIC AND GEOPOLITICAL ARCHITECTURE – THE POTENTIAL ROLE OF THE TWO ECONOMIES IN AN EVOLVING INTERNATIONAL LABOR SHARING PROCESS

A major geoeconomic trend in our times is the newly arising bipolarism: on the one hand, the difficult yet steadily evolving unionization of modern, post-imperialistic developed capitalisms in the West (consider the countries involved in EU-Canada Comprehensive Economic and Trade Agreement-CETA, Transantlantic Trade and Investment Partnership-TTIP and Trans-Pacific Partnership-TPP); on the other, the Sino-Russian (re-)rapprochement and the Belt and Road (OBOR) Initiative, including the dynamically evolving economies in the East. In this framework the spatial "arc" from the Baltics over Central Europe and the Black Sea to South-Eastern Europe and the Eastern Mediterranean is the major area where the two aforementioned evolving poles overlap.

This situation can be read in two ways: a pessimistic reading, as this region including the two countries may (once again) become a belt of antagonisms and casualties, which is actually already happening – the Eastern Mediterranean, Black Sea and Middle East account for more than 60% of world conflict-related fatalities, according to the numbers of UN Databases and the Peace Research Institute of Oslo in 2014, 2015 and 2016.

But there is also the optimistic reading of the emerging situation, pointing to a new "role" for the wider area and, thereby, for Greece and North Macedonia, namely the region's becoming:

i. a **platform** of worldwide significance serving commodities, physical and human capital flows,
ii. a global **laboratory** of productive excellence, where quality rises over quantity, especially in certain industries that reflect the local comparative advantages and the ability of the region to produce diversification and variety,
iii. a **center** of cross-cultural respect promoting peaceful, democratic, sustainable resolution of socioeconomic and political disputes.

However, this new "role" can be played far more effectively if it is bilaterally coordinated.

Last but not least, in the case of the two countries' relationships, we can see the contribution of South-Eastern European associations (along with other corresponding cases of regional linkages in the rest of Europe – e.g. Franco-Roman area, Benelux, Austro-Hungarian territory, etc.) towards reestablishing the architecture of Europeanization.

The latter has proven to be a process suffering from "**stretching-out**": a sweater in the size "small" can never fit a heavyweight boxer; the result will be to damage the sweater: any preexisting tiny imperfections will end up becoming unmanageable holes. Likewise, the hasty regional enlargement of a defective unification process, full of imperfections – being economically and, even more, financially biased, lacking political progress, which, if any has taken place, has been fully determined by neoliberal obsessions – may end up thwarting a historical experiment that was initially progressive in nature.

In another scenario, the historic acquis on socioeconomic and cultural bonds in the Balkans and the (Eastern) Mediterranean could become one of the foundations for reestablishing the prospects of Progressive Integration. In the frame of a "step back to proceed" approach, rather than arguing for the "Eastern enlargement" of a structure with visible signs of crises, we could make use of existing instruments for a bottom-up (re-)launching of a process of inter-regional integration. Consider, for instance, the possibility of setting European Groupings of Territorial Cooperation (EGTCs) that have already been successfully in connecting productive and socio-political activities all around the continent. EGTC Helicas,[7] established relative recently, in 2017, is a good practice as it includes public entities from Greece, North Macedonia, Bulgaria and Cyprus and is evolving toward including representations from the rest countries in the Balkans as well (check the relevant paper by Zarotiadis, Anastasiadis and Topaloglou presented in 2018).

6 Data from Aristotle University of Thessaloniki (AUTh) Research Committee, being the biggest university in Greece, although it is not possible to conclude on a well documented figure (in many research projects, partners from North Macedonia may be included in the consortium, yet this does not mean that the whole budget can be added to the volume of bilateral collaborations, prove that there is an already strongly increasing participation in projects with research institutions from North Macedonia. On the contrary, the intensity of students' and academicians' bilateral exchanges is by far not so intense as they could be (if we compare them with analogue figures from other Balkan countries)).

7 https://portal.cor.europa.eu/egtc/CoRActivities/Pages/EGTC_HELICAS.aspx

5

RECOMMENDATIONS AND CONCLUSIONS

The Prespa Agreement was acclaimed as resolving a bilateral dispute that, for three decades, dominated the relations between Greece and North Macedonia. Over the course of these three decades, governments in both countries focused mostly on the name issue, while bilateral socioeconomic potential was suppressed by political elites interested in appealing to voters on deeply nationalistic issues.

Even in this intimidating political environment, bilateral economic ties grew substantially. We strongly believe that a focus on bilateral socioeconomic collaboration will be in the interest of the citizens in both countries; there is still huge potential for economic relations to grow not only in the field of bilateral trade, but also through expansion of joint productive and investment initiatives, and even through developing the region into a transit trade node of global significance.

A simple econometric exercise we carried out based on the gravity model suggests that bilateral exports and imports, currently at 1.2 billion dollars, represent only ⅘ of the standard trade potential between the two countries. Besides creating new jobs and solving existing trade imbalances (especially with respect to North Macedonia's trade deficit), unlocking these possibilities could be a platform for common productive initiatives of multiplicative competitiveness, strengthening the position of both countries in the international markets.

Therefore, most of the unrealised potential lies in the field of common productive investment activities. European Union financial support could be key to further development of the business environment, aiming to connect local tech startup ecosystems and supporting cross-border activities. Another area is joint ventures for extroverted economic expansion, where local semi-autonomous producers in branches of revealed comparative advantages, such as agriculture, food industries and tourism, could undertake joint cross-border schemes for modern synergies, while gaining benefits from the utilization of economies of scale. Also, emphasizing creation of a regional node for transport and logistics could enable both countries to use the benefit of their strategic geographical location, which lies in the heart of the main trade flow corridor between Europe and Asia. Last but not least are the prospects for major joint public infrastructure projects, in the form of road, railway and energy connectivity between Europa and Asia.

Without strong commitment, political will and common socioeconomic interests, all these potentials will remain on paper. Both states should put significant effort into finding ways to facilitate trade and transport between the two countries. They should also create favorable environments for supporting joint ventures and boost cross-border investments through the joint Innovation Fund. At the same time, business communities should explore new opportunities based on common interest and joint ventures in tourism, logistics and energy. Strengthening of economic and political ties should be followed by intensified academic relations. Universities should unlock bilateral cooperation in terms of educational outcome and R&D applications.

We firmly believe that if local elites invest half of the political capital used in the past for politicization and nationalism in strengthening bilateral socioeconomic ties and this model of cooperation in the rest of the wider region, in the coming decades, South-Eastern Europe will succeed in improving citizens' standard of living and wellbeing, strengthening the international significance of their economies, and, finally, meeting the goals of comprehensive sustainable development in the region. We hope and believe that the present paper will contribute in this direction.

APPENDIX

Table 1 (A and B)
Trade structure by broad economic categories, 2019

A. Reporter: Greece

Code	Commodity	Greece to North Macedonia, Export (US$)	Greece from North Macedonia, Import (US$)
11	Food and beverages, primary	23,477,973	3,457,548
12	Food and beverages, processed	27,223,537	3,290,312
21	Industrial supplies, primary	6,468,345	72,238,875
22	Industrial supplies, processed	190,142,836	76,414,896
31	Fuels and lubricants, primary	1,682,209	
32	Fuels and lubricants, processed	581,950,721	85,132,061
41	Capital goods (except transport equipment)	14,817,322	975,662
42	Parts and accessories of capital goods (except transport equipment)	6,556,751	1,734,062
51	Transport equipment, passenger motor cars	1,639,284	46,581
52	Transport equipment, other	394,028	137,769
53	Parts and accessories of transport equipment	2,414,787	142,032
61	Consumption goods, durable	2,133,860	1,543,130
62	Consumption goods, semi-durable	12,964,665	23,378,968
63	Consumption goods, non-durable	17,391,336	10,598,833
	SUM:	**889,257,654**	**279,090,729**

Source: UN Comtrade Database.

B. Reporter: North Macedonia

Code	Commodity	Greece to North Macedonia, Export (US$)	Greece from North Macedonia, Import (US$)
11	Food and beverages, primary	11,506,985	3,216,439
12	Food and beverages, processed	20,727,966	3,525,091
21	Industrial supplies, primary	6,101,977	67,957,543
22	Industrial supplies, processed	167,899,062	72,056,415
31	Fuels and lubricants, primary	81,047	
32	Fuels and lubricants, processed	521,341,398	8,849,358
41	Capital goods (except transport equipment)	15,183,433	1,490,110
42	Parts and accessories of capital goods (except transport equipment)	3,751,866	884,042
51	Transport equipment, passenger motor cars	13,968	438
52	Transport equipment, other	147,587	155,587
53	Parts and accessories of transport equipment	879,540	84,002
61	Consumption goods, durable	819,139	1,068,628
62	Consumption goods, semi-durable	4,936,021	23,752,927
63	Consumption goods, non-durable	11,549,860	10,648,106
	SUM:	**764,939,849**	**190,472,247**

Source: UN Comtrade Database.

Table 2 (A and B)
Top 10 bilateral traded products, 2019

A. Reporter: Greece

Greece to North Macedonia, export		Greece from North Macedonia, import	
Commodity	**Export (US$)**	**Commodity**	**Import (US$)**
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	597,616,395	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	85,132,061
Iron and steel	66,987,488	Iron and steel	52,008,909
Fabrics; knitted or crocheted	17,468,314	Tobacco and manufactured tobacco substitutes	40,130,384
Fruit and nuts, edible; peel of citrus fruit or melons	16,279,995	Apparel and clothing accessories; knitted or crocheted	30,900,810
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	13,361,834	Salt; sulphur; earths, stone; plastering materials, lime and cement	13,664,336
Plastics and articles thereof	12,870,435	Iron or steel articles	11,904,319
Iron or steel articles	12,427,174	Cereals	4,881,119
Food industries, residues and wastes thereof; prepared animal fodder	12,090,887	Stone, plaster, cement, asbestos, mica or similar materials; articles thereof	4,402,872
Aluminium and articles thereof	11,067,580	Inorganic chemicals; organic and inorganic compounds of precious metals; of rare earth metals, of radio-active elements and of isotopes	4,325,902
Paper and paperboard; articles of paper pulp, of paper or paperboard	9,988,245	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	4,293,169

Source: UN Comtrade Database.

B. Reporter: North Macedonia

North Macedonia from Greece, import		North Macedonia to Greece, export	
Commodity	**Import (US$)**	**Commodity**	**Export (US$)**
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	530,903,951	Iron and steel	46,140,397
Iron and steel	67,188,321	Tobacco and manufactured tobacco substitutes	40,480,659
Fabrics; knitted or crocheted	13,737,977	Apparel and clothing accessories; knitted or crocheted	30,394,645
Plastics and articles thereof	12,335,908	Salt; sulphur; earths, stone; plastering materials, lime and cement	13,458,465
Iron or steel articles	11,719,225	Iron or steel articles	11,607,121
Aluminium and articles thereof	11,199,104	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	8,849,358
Paper and paperboard; articles of paper pulp, of paper or paperboard	10,471,877	Cereals	4,574,583
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	8,050,379	Stone, plaster, cement, asbestos, mica or similar materials; articles thereof	4,379,956
Preparations of vegetables, fruit, nuts or other parts of plants	7,628,763	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	3,430,346
Salt; sulphur; earths, stone; plastering materials, lime and cement	7,031,108	Fabrics; knitted or crocheted	3,132,391

Source: UN Comtrade Database.

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UNLOCKING ECONOMIC POTENTIAL BETWEEN GREECE AND NORTH MACEDONIA

The paper starts with a comprehensive analysis of past economic relations between Greece and North Macedonia, based upon which it emphasizes potentials for further collaboration and explores ways to unlock those potentials. In spite of the bilateral dispute, the two neighboring countries managed to develop economic ties over time, in trade, direct investments and tourism. However, there are still constraints holding intensity of flows below the actual potential. According to the gravity model of trade applied in this paper, bilateral trade between North Macedonia and Greece should be 25% higher than realized in 2018, which reveals the untapped, standard possibilities.

Hence, new avenues should be explored. Bilateral collaboration on investments can go even further towards developing common productive initiatives, either expanding existing businesses or in initiating joint start-ups.

To unlock these potentials, both states should put significant effort into facilitating trade and transport, create a favorable environment for supporting joint ventures and boost cross-border investments through a joint Innovation Fund. At the same time, business communities should explore new opportunities based on common interest and joint ventures in tourism, logistics and energy. These initiatives should be followed by intensified academic collaboration as well. We firmly believe that if half of the political capital used in the past for politicization and nationalism is invested in strengthening bilateral socioeconomic ties and cooperation in the coming decades, our region will succeed in improving citizens' standard of living and wellbeing, especially in meeting the goals of comprehensive and sustainable development.

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