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From the Director

Analytica is one of the new generation of think tanks in Macedonia that actively draws solutions to contemporary problems from the ideas, principles and traditions that make Macedonia such an important historical and geopolitical place. It is dedicated to promoting greater cooperation and understanding among the people in Macedonia and wider in the region of Southeast Europe.

Internships are one of the leading qualities of Analytica - they benefit the interns in giving them an opportunity to write research reports and utilize Analytica's experience and knowledge. By this our interns gain an opportunity to improve their research skills in their area of interest. Every year their reports are published in a yearbook, which is a valuable publication opportunity, and a chance for our interns to freely share their knowledge with their peers, and address governments, policy makers, public and other institutions.

This yearbook features contributions from interns from different parts of Europe and one from Asia, with their reports. The topics in this year's Interns Yearbook are diverse, covering different, but interesting and up-to-date topics. Two of the reports are focused on the energy issues, the geopolitics of energy and the energy efficiency. The rest address topics related to NATO and EU integration and enlargement of Macedonia and the Western Balkans. Four reports are from Analytica's residential interns that made their researches in our office in a period of three months, while the other four are from the non-residential interns, who conducted distance research and sent it to us.

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We hope this excellent mutual relationship continues and develops further.

Regards,

Turker Miftar

Executive Director



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Maxence BOUTET, *France*

NEED TO IMPROVE ENERGY EFFICIENCY

Spring 2008

Energy issues are becoming over the years more and more structuring of the international relations and providing energy security is dominant in the states' policies. Political discourses are always claiming the importance of sustainable development but still a few real initiatives are undertaken. The European Union is conditioning its aid to developing countries with environmental questions, so it is interesting to observe the behaviour of developing countries to fulfil these conditions. The situation in Balkans' countries, hoping to join the EU in a near future, is very relevant because they have to develop quite fast in a context imposing restrictions on polluting production processes. Balkans countries having the highest energy intensity in Europe, so one wonders what are the concrete measures taken to improve energy efficiency? If there are any, at which level would it be worth to act? We will see

that transferring the decision power to local municipalities regarding EE could be far more reliable. than the actions undertaken by the states of the region. Furthermore, the gap between talks and their application is always huge but we will try to evoke some recent working initiatives, including funding facilities, and their limits in the Balkan's context.

The general context

We must be aware of the serious threats over mankind if emerging economies follow the industrialization path adopted by developed economies. According to the forecasts of the International Agency of Energy, the final consumption of primary energy would reach 50 billions of tonnes equivalent to oil (toe) to 2030.¹ This equals five times the actual consumption. This is not only not sustainable but it is simply impossible to reach, in terms of resources, economic costs or environmental damages because we would need 5 planets Earth and eight times more resources to feed around ten billions people.

IAE claims that in 2030, 80% of the energy needs will still be covered by oil, gas and coal. Indeed, the dependence on oil would increase because of the weight of transports in final energy consumption, 33% of the consumption in comparison with 29% today.

Apart of the environmental damages' aspects, the following of this consumption model is not leading to development and tends to increase the gap between developed and developing countries: the poorest countries are the ones to suffer the most of the rising of energy prices. Furthermore, it is in the poorest countries that available energy is used in the less efficient manner, and the little of commercial energy they can use at a high price is consumed by low yield equipments and the loss of energy is very important.

Energy is linked to development and the provision of an accessible, high performance and economically competitive energy is essential for the growth of developing countries. Since several years, the international community is aware that this energy must also be sustainable and the international development aid is conditioned with sustainable development aims. This can be considered by the developing countries like a kind of protectionism from the developed countries fearing of losing influence in the global economy, but it is not only because of that : the gains in energy efficiency can be greater in transition economies.

Balkan Context

In that perspective, it is interesting to observe what can be done in the Balkans, the region in Europe where the energy intensity is the highest, it means where the price of converting

energy into GDP is the highest. So, there is really the need to improve the energy efficiency in the Balkans and this can be achieved because it can be applied to all the sectors of activity in all the countries.

Every country of the region integrated energy efficiency aims in their energy policies but nonetheless in reality the preoccupation is short-sighted and the priority is given to unsustainable fossil fuel projects such as pipelines or to nuclear, whereas Balkan countries have high potential for developing energy production from renewable energy sources: sun, water, wind, biomass, and geothermal energy. But this would need a long time framework and strong political will: even in western countries where there is the know-how for the implementation of energy efficiency measures and the technical knowledge to develop renewable energy, still a few initiatives are taken, so why should it be expected that transition countries have to develop in a sober and efficient way?

One of the possible answers would be to change the paradigm regarding the energy approach: the dominant manner of considering energy issues is to take only in consideration the supply of energy but it is proved that it would lead to a dead lock if nothing changes on the demand side. A new approach would consist in considering the energetic system including the

energy sector (supply), the consumption (demand) and to insure its development to obtain the system with optimal conditions for resources, economic and social costs, and also damages on environment.²

The control of the consumption is also very important like for example with insulation of buildings, efficient lightning...The most important change in this theory is the end of the hegemony by energy companies, which control production, transport and distribution of energy. They imposed to users only a passive role by only paying the bills. In this new system, every stakeholder (energy producers, architects, mayors, NGO') should be involved in the definition of a strategy regarding energy. The states have to become the regulator and not only decision-maker. This has to be the re-appropriation of the energy question by citizens: there is a need for change of the behaviours for consumers but also of the political representative, national and local, urbanism and management of the territory are important for the control of the demand. And this is really realisable in a decentralization process, with greater power given to municipalities in the decision making process, like it is the case in the Balkan countries.

Balkan countries are to increase their energy consumption for their growth and the comfort of the population but they can

and must do it in a sober and efficient way. Indeed, pursuing the path adopted by western countries would lead to growing insecurity of supply and an increase of greenhouse gas emissions. This is problematic because climate change or other environmental hazards and security of supply will for sure become huge obstacles for peace and development if energy consumption follows such an impossible path.³

Reliable analyses⁴ show that the consumption can be reduced by 20 or 30% for an equal or better service in South Eastern Europe and the potential is even higher especially in the former Soviet space. The implementation of the policies in developing countries in the next decade will be decisive. Balkans countries will have high growth and several elements are going in the sense of the control of energy: low resources in hydrocarbons and the increasing price of oil, high potential in new infrastructures (housing, transport), development of renewable energies is the most promising way because it would be a mix between the know-how of developed countries and the opportunity to or real capacity of inventing a new energy model, which will be an advantage in the future.

Considering the state as the main actor?

A regional cooperation on issues pertaining to energy between the European states is supposed to emerge since the launch of the Athens process resulting into the energy

community treaty in 2005. The Energy Community treaty⁵ is supposed to be a key of the EU policy in South Eastern Europe and it is aiming for a liberalization of the energy market, a reliable supply, a reduction of the costs of energy products and to energy efficiency in order to integrate progressively the SEE energy markets to the EU one. In that scope, every politician claims the importance and the need of energy efficiency strategies but in reality, not a lot is done on a state level and there is no concrete ambition to create a regional energy market by harmonizing the prices of energy for instance. Furthermore, the situation between the countries is very heterogeneous.

At a national level, the power sector in Bosnia-Herzegovina is very fragmented and there are three different energy companies acting as monopolistic in their exclusive ethnically based service territory. In Albania and Macedonia, the authority in charge of energy is a small department within the ministry of economy whereas Serbia has a ministry for mining and energy. In Slovenia, the ministry of environment and spatial planning is supporting NGO's and companies dealing with rising awareness for energy efficiency by renewable energy sources. The creation of national energy agencies, which are small structures, is not sufficient because there is an evident lack of funding and lack of capacities to drive entire and efficient energy policies.⁶

In theory, the EU policy towards Balkans is supposed to enhance the regional cooperation and EU is also fixing the framework for the candidate countries. On the other hand, countries have their own preoccupation and they have to find a balance between regional cooperation and a future adhesion to EU. It turns out that it can be difficult in a tensed regional context with unsolved issues like the recognition of Kosovo or the name of the Republic of Macedonia. The regional context is also characterized by disparities in the funding: in Bulgaria, Romania and Slovenia several initiatives have been implemented thanks to EU funds, so even if the other countries of the region had real intentions of improving energy efficiency, they would clearly lack of funds. That is really a pity because regional cooperation in energy could lead to a stronger overall regional cooperation and so begun the European integration with the European community for coal and steel. Nevertheless, it is less political but some cooperation already exists among states for environmental issues, like between Albania, Macedonia and Greece for the promotion of ecotourism in the Galicia Park Ohrid-Prespa.⁷

This fragmentation of the space regarding energy is really damageable, especially at a time when Balkans is considered as a very strategic transit hub for the transit of oil and gas from the Caspian region into Western Europe. This would be ideal, but the countries of the region should really unify their

energy policies so as to be able to negotiate as a bloc and in a strong position with EU for the Nabucco project and with Russia for the Southstream project in order to make profit of its geographical situation. The lack of a real regional cooperation in energy is leading to small bilateral initiatives like the wish of the Albanian minister of economy, Genc Ruli, to create a common Albanian-Kosovar energy system for seven million people.⁸ For sure, the two countries would gain from the unification of their market but this project is not to be realizable in a near future because of the lack of common legislation between them, on tax policies for example.

Lastly, even if most of the states of the region can be considered as weak and the energy markets are supposed to be liberalized, states play a very important role by indirectly subsidizing energy pricing in order to keep them artificially low. Of course, it is better for the consumers but it creates markets distortions and it is contradictory in term of energy efficiency thinking because there is no need for awareness to save energy when it is cheap. For instance, in Macedonia, if the market was properly liberalized, it should be up to the Austrian company EVN⁹ to cover the entire electricity needs. But in 2008, the Macedonian state will import electricity, in complement from EVN, for an amount of 800 000 euros in order to keep the price low and it is obvious that this amount could be spent in more helpful projects. For all these reasons,

it is more relevant to consider the municipalities to be the most able actor to improve energy efficiency in the Balkans. First, for a very simple reason, which is the funding of the projects: municipalities are more restricted by money and it is very important that they become aware of the advantages of the implementation of small scale energy efficiency projects. For instance, only a quarter of Macedonian municipalities are aware that being efficient with energy would contribute to lower their budget.

Improving energy efficiency at the local level

Energy efficiency projects can bring greater benefit to local communities and small businesses. They are much more labor-intensive, they can create new services in the local economy and increase employment, while decreasing inefficiency and dependency on costly resources from import. Moreover, energy efficiency leads to improved industrial environmental performance by changing industrial processes and reduced pollution from energy generation by decreased energy consumption with positive social and health impacts.

Within the decentralization process, municipalities can become energy consumer, supplier, regulator and motivator. Thus means that the strategy of municipality has impact on the public and on the private sector. It is far much easier for any company to collaborate at a local level in order to improve the

industrial process. For example, in Germany, municipalities are working with companies to re-use 80% of the waste created during the production process. The city of Martigny in Switzerland manages all of the nets (electricity, gas, heating, water supply and purification, telenetworks) as a unique network to optimize their use so that any action concerns the entire network.

It is also much easier to decide at a local level whether (re) constructions should be energy efficient, which is a very important stake in Serbia which lost a lot of its industrial capacities after the NATO bombing campaign from 1999. But this still raises the problem of awareness or education on energy efficiency. In Macedonia, there is a very dynamic building sector, but none of the new buildings are built without taking account energy saving manners. Even lots of Macedonian engineers think that "changing a window is sufficient to improve insulation of housing."

That leads us to an very important topic which is the transfer of technologies because the implementation of energy efficiency measures and the development of renewable energy sources corresponds to a long-term objectives and it is quite obvious that Balkan countries will be unable to handle the entire technical, financial and operational burden on their own. The experience of developed countries could be

effectively transferred gradually and they must offer a long term help by extending financial and technical support to local authorities else the three "20%" from the European Commission will be for sure unreachable.

Even if the amount of actions for a better use of energy is still limited in Western Europe, there are the technical knowledge or organizational tool to improve efficiency in housing and services, which represented 57% of the final electricity consumption in 2006 in comparison with 42% for industry. In Germany, energy partnerships in building are an efficient model of contracting for energy savings with performance to attain. The French cities of Besançon and Clermont-Ferrand after energy audits reduced by 40% the energy consumption in public buildings with better insulation procedures. Frankfurt am Main¹⁰ succeeded to decrease by 30% the primary energy consumption with small scale combined heat and power (CHP). The common point between these cities is that they acted with defined territorial energetical planning or with municipal energy plans, which integrate energy efficiency issues into every municipal project. For sure, these cities did not become model in one day, there are a lot of long steps to overcome but their experience and the transfer of technologies could help Balkans municipalities not to skip the steps, but maybe to enhance the rhythm of the transformation of building or production processes.

Actually, a few initiatives going in that sense already exist with the support of the French environment and energy management agency (ADEME) or the network "energies-cites" with programs such as RUSE (Redirecting Urban areas development towards Sustainable Energy) or the BISE forum (Better Integration for sustainable Energy) on intelligent energy in municipalities of the new member states and the candidate countries.

It is obvious but it is far much easier to promote networks at a local level because there are less political stakes. Networks can be promoted either by the European Commission like the Black Sea Regional Energy Centre trying to encourage energy co-operation, or either by localities on their own like the Union of Bulgarian Black Sea Local Authorities, which aim to assist and promote cooperation with other European partners and support the establishment of joint ventures and transfer of technology. By benchmarking policies, Slovenia is also benefiting from the neighborhood with Austrian municipalities which developed successful renewable energy sources projects.

Even if there are several initiatives undertaken to develop networks in Balkans, they consist mostly in exchanging information or sharing experiences on topics such as the development of capacities in managing the use of energy resources, sustainable development of municipality energy

sector or increasing the quality of public services....It is a good start and these initiatives are not to blame but concretely they have no influence on the field even municipalities have the will to improve energy efficiency. This is differing throughout countries for several reasons: In general, even if governments elaborate legislation concerning energy efficiency, most of the time the legislation is incomplete. Competent authorities, energy states agencies or municipalities, do not have sufficient people and qualified people to work on energy issues. This subject is partially covered by NGO's activities, like for instance the Macedonian Centre for Energy Efficiency (MACEF) but they are not receiving any support from the state. The state inability to promote energy efficiency also hinders the capacities of municipalities even in a decentralization process: energy saving measures are like any development policy, they have to be include in the broad and general development policy elaborated by the country to be efficient. There can be investment at a municipal level, with a proactive behavior like the Macedonian city of Kocani, has with a program for the energy rationalization of the geothermal system, but municipalities still have obligations toward the state and if the state doesn't have a clear and long term development policy, the actions undertaken by municipalities won't be as efficient as they should be. For instance, in 2007, the Macedonian government claimed the importance of energy efficiency but a

concrete measure it wished to implement was subsidizing the installation of 500 solar panels at an individual level but limiting the amount of solar panels is contradictory to a long term development vision. Municipalities will take initiatives only if they feel that their action will be useful and in the scope of the government development policy on a long time scale, but energy efficiency programs are not well implemented because of short times election frameworks in sight.

This has to change, because municipalities have to profit from decentralization to impose a bottom-up approach to help the change the mentalities so that many innovative initiatives, with an opening for new technologies and pilot projects, could be confronted. We must have in mind that the two oil shocks from 1973 and 1979 contributed to create new behavior thanks to elaborated policies including research and development for better industrial process, regulations on energy consumption (obligation of energy audits for high consumers for example), creation of ruling institutions. This is also the case now at a moment when the price of the oil barrel is reaching 130 US dollars. The EU commission considers that the technical potential on final energy consumption can be reduced by 40% and that the economic potential is about 20%.¹¹ It means there is a high potential in educating children to energy efficiency like donors' program try to do in Balkans (World Bank, USAID) but it is for sure worth on a long time

scale because the awareness for environmental issues is reduced in Balkans countries to technical workers, except in Slovenia and Croatia.

How to finance EE projects?

Until now, the dominating supporting measures to finance EE projects in Romania, Bulgaria and Slovenia are the structural funds from the EU. Nevertheless, other financing possibilities exists in member and non member states: in Slovenia, municipalities are subsidized for measures in EE.¹² In Croatia, the funds for energy efficiency and international donors (UNDP, IBDR) are playing an important role. The main sources of funding in Macedonia is the ministry of ecology, USAID and EBRD but sometimes the money dedicated to EE can't be used because there is no functioning agency to really manage the money. In Bulgaria, the Energy Efficiency Fund is a revolving mechanism for financing commercially viable EE projects, the fund having an initial capitalization of 10 million Euros.

Governments should also develop better schemes to help small municipalities to support financially their projects because banks are not ready to give loans for EE projects.

This is why municipalities have to be innovative in finding ways of financing:

Municipalities can choose either on the supply side for the

improvement of the energy efficiency by using new technologies or either on the demand side and obtain gains with a short payback period like the refurbishment of housings or energy efficient modernization of the street lightning system...For example, the Bulgarian city of Varna issued municipal bonds to modernize the street lightning system, the bonds have been proposed to 50 potential investors and they have been sold in one day with a payback period from 2 years and 9 months.¹³ Usually, municipalities in Balkans are limited in financing, so they must take into consideration innovative methods for investment such as leasing, the resort to an Energy Service Company (ESCO) or to Public Private Partnership (PPP). Of course, the impetus for such local investments should be in the frame of the national legislation or could be urged by related incentives. The ESCO market is really at a development stage in Macedonia, there are only two companies (Fonco and Mata esco) but cooperation exists with Croatia and Slovenia to improve the market. It is fine in theory but in reality, it will very hard to develop an efficient ESCO market in Macedonia because of the state of the banking system, banks are only interested in very short term profit : the new fast growing housings have to be profitable within less than three years else the bank can appropriates itself the building. These buildings are only built for a quick sell, so that also explains the fact that there is no take into account of

energy efficiency. Macedonia is in a bad position in comparison with Bulgaria or Croatia where more money is in circulation, banks, even with short payback period aims, can more allow themselves to make this kind of cooperation with municipalities and ESCO's.

An other innovative way to finance EE projects could be the use of remittances from diasporas. Emigrants could get inspired by the situation in the countries they are living in and decide to finance small projects in their villages.

It is really at a municipal level that there is the need of a change of mentalities in the definition of the policies and they are the only ones to force the landlords of new buildings to make construct the new housings with energy savings devices. Indeed, at an individual level, people are limited with money so they use the minimum they can use. We already mentioned that the influence of government's state was limited and in the facts energy efficiency programs are only done with financial supports of international donors with the help of NGO's for their implementation and that is definitely a procedure that municipalities should need to be more aware of.

Municipalities should not forget that they play at one and the same time the role of consumer, producer and advisor in energy issues, that make all implemented actions important. This is truer in Balkans where a certain defiance exist between

states, which hinders cooperation and also defiance from citizen toward their states' initiatives. We have seen that the conditions for better local energy markets and services are not so close to reach a critical mass but it is very important that municipalities understand that they have to play the game of the decentralization process, which is kind of imposed by EU, to become the leading actors in energy efficiency projects.

Endnotes:

1. " World Energy Outlook 2007", International Agency for Energy
2. French Development Agency (AFD), "prospective and world energetic stakes", January 2008
3. Idem
4. European Commission, " Greenbook on energy efficiency", 2005
5. The contracting parties are : UE 27, Croatia, Serbia, Montenegro, Macedonia, Bosnia-Herzegovina, Albania and Kosovo. Norway, Ukraine, Moldova, Turkey and Georgia have the status of observers.
Better Integration for Sustainable Energy (BISE), see reports on each country
6. See Alliance for Lake Cooperation in Ohrid and Prespa (ALLCOOP)
7. Le Courrier des Balkans, extract from Revista Mapo, "Kosovo: an underground worthing gold?", march 2008
8. EVN Makedonia AD is an electricity supplier and distributor in Macedonia. It belongs at 10% to the Macedonian state and at 90% to the Austrian Company EVN.
9. See ADEME/Energie-Cités reports on each city

10. European Commission, "Greenbook on energy efficiency", 2005

11. BISE reports

12. Intelligent Energy Europe, « New forms of financing municipal sustainable energy projects»

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NATO AND MACEDONIA: Advantages and Disadvantages of Membership

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Having in mind the current issues regarding the latest NATO enlargement and, of course the disappointment from the last NATO Summit in Bucharest when the Republic of Macedonia was not invited into the NATO family, I have decided to make an analysis of the NATO membership, and the advantages and disadvantages which would derive from it. In order to answer the question why should or should not Macedonia insist on becoming a member of NATO as soon as possible, I am going to give a brief introduction about NATO and its development, the situation in Macedonia since its independence and hopefully an answer on the question how much does it cost to

be a member of this organization and is our country ready to make the necessary sacrifice.

A brief NATO history

NATO is an alliance based on a political and military cooperation between independent member-countries. According to the Preamble of the North-Atlantic Treaty, the members of the alliance are obliged to secure freedom, common inheritance and civilization norms for its citizens based on the principles of democracy, individual freedoms and the rules of law. The Treaty provides consultations between the member-countries in a situation when one of them believes that there is a threat on their territorial integrity, political independence or security. An attack on one member-country is considered to be an attack on all of the NATO members. The alliance basically is a regional organization established to provide political and military cooperation between its members in order to reach the goals of the North-Atlantic Treaty. The NATO policy developed during the Cold War was based mainly on the principle of an adequate defense in order to prevent an aggression or a threat and to defend the territorial integrity and keep the peace.¹ During the decades of the East-West confrontation, the Atlantic alliance showed its ability to adapt to the new world changes through the gradual enlargement and the modification of the national obligations. With the

collapse of the eastern block and the communist countries, NATO gained a new role and the need for the upkeep of the alliance strengthened with the emergence of the new threats with ethnical and religious character on the area of the former Soviet Union, Yugoslavia and Czechoslovakia.

It can be easily said that, during its existence, NATO has gone through four stages in its development. **The first stage** was from 1949 to 1956 during which the member-countries were trying to build an efficient defense system as a solution for the problems which emerged on a political level. Also, during this period the organization enlarged with the membership of Greece, Turkey and West Germany; all countries with an exceptionally important strategic position. **The second stage** (1956-1967) is characterized with a non-military cooperation and political consultation on the issues of science, natural disasters, energy, etc. The period from 1967 to 1990 (**the third stage**) was dedicated to finding solutions on the current problems such as the tension between the East and the West. In the third stage Spain joined NATO and in 1990 West and East Germany rejoined and the new united Germany took the place of West Germany as a NATO member. **The fourth stage** of the NATO development began in 1990 and has not finished yet. This period has perhaps been the hardest period for the alliance since it had to start its transformation due to the new security environment.² The collective defense has

remained NATO's main task but the organization, the armed forces and the structure have been adapted mainly because of the cooperation with the countries which are not members of the alliance and their participation in the crisis management. Therefore NATO developed a mechanism for a closer cooperation with these countries through the program Partnership for Peace, EAPC (Euro-Atlantic Partnership Council), NATO-Russia Council, NATO-Ukraine Commission, Mediterranean dialogue and the Istanbul initiative. With the establishment of the European Security and Defense Identity and the Combat Joint Task Forces, NATO has evolved in a political and military organization which strongly considers the change in the European security environment. NATO has also enhanced the cooperation with the new partners from Central and Eastern Europe in order to increase the stability and security in Europe as a whole. During this stage NATO has enlarged with the membership of ten new countries through two waves.³ On the last NATO Summit in Bucharest Croatia and Albania were invited to join the alliance. With their membership the number of the NATO members will be twenty-eight.

With the fall of the Berlin wall NATO loses the basic aim because of which it was founded as an opponent of the Eastern block. Due to this new situation, the need to implement the New Strategic Concept⁴ emerges, with which

NATO changes the way it acts in a given situation.⁵

What is also important to mention for my report is that despite the above mentioned division of NATO's development, nowadays there is also one more popular division to two stages: the period before and after September 11th. This division is actually based on the difference in the NATO policy between and after this very significant date in world history. The terrorist attack in New York happened in a time when the Alliance was in the middle of the second wave of the enlargement. During this period all the countries applicants for NATO membership had to contribute towards the strengthening of the international security and stability, thus contributing towards the war against terrorism. On September 12th, for the first time in the existence of the alliance, NAC activates the article 5 from the Washington Treaty according to which the attack against the USA is an attack against all NATO members. That is the beginning of the creation of the anti-terrorist coalition.⁶ A very important question emerged from this situation: Is it better to continue with the enlargement with a great speed or to slow it down and to pay more attention to the internal consolidation on the alliance? The members concluded that there is no need of a set-back, on the contrary the applicants were encouraged to continue with the reforms necessary for their future in NATO.

Republic of Macedonia since the independence – its road to NATO membership

In 1991 Macedonia became an independent country. It separated from Yugoslavia without a conflict, unlike the other Yugoslav countries. In that time Macedonia was identified as a country with civil approach in problem solving and a peaceful pro-European country. Since the independence Macedonia set its objectives regarding its international future. One of the objectives was to become a member of NATO. NATO's persistence to build new security architecture in the North-Atlantic area, to provide greater stability and security without drawing lines of separation, to build peace and security in all countries, coincides with the actual policy of our country.

In 2001 the Republic of Macedonia faced a conflict which took human lives and deranged the peace in the country. This situation had a negative effect on the country's development as well as on the processes for approaching the Euro-Atlantic integrations. The conflict left deep consequences and the country had to work hard to overcome them and, of course it affected the creation of the modern state that has the NATO membership as its prime goal. After the 2001 crisis Macedonia is much more different than the country before the Framework Agreement. There has been promoted a new philosophy of living and a progress has been made in numerous segments of

the social and political living. Changes have been made in the key segments of the society⁷, which further more should generate stability and prosperity of the state and its approach to NATO. After the independence, The Republic of Macedonia as an equal internationally-legal subject in the international community began to conduct an autonomous policy in all domains of the social living. Thus, Macedonia started to build its own principles of foreign policy and within those frames, it continues to build principles in the defense and security policy as an inseparable part in the accomplishment of the national goals. The creation of the Macedonian defense policy can be divided into three phases⁸: defensive independence of the Republic of Macedonia that lasted until May 1992; definition of national security and defense policy and initial structuring of the defense-protection system that lasted until 1995; institutionalization of the national defense policy and the national defense system as well as intensifying the steps for association to the collective security systems and NATO as a final goal of the Macedonian defense policy. Starting from the legitimate security aspects of the Republic of Macedonia, the defense system is founded on the following principles: armed defense with an engagement of all available state resources; direct protection and guaranties of the Macedonian security interests within NATO. For the realization of this strategic determination, the Republic of Macedonia has undertaken

numerous activities that will lead to its accomplishment. Some of them are:

- on 11 July 1992, the Minister of Defense in writing addressed NATO and the neighboring countries explaining the principles on which the Republic of Macedonia will build its defense and stated the intentions for its NATO integration;
- on 23 December the Parliament of the Republic of Macedonia passed a Decision for membership to the North-Atlantic Treaty Organization (NATO);
- in January 1994 the Republic of Macedonia was among the first countries that greeted and supported the initiative Partnership for Peace and in November 1995 Macedonia became its member;
- in 1996 Macedonia signed SOFA Agreement and the Additional protocol of the RM-NATO agreement which regulated the status of forces between the state members of Alliance and the Partnership for Peace;
- Since July 1996 the Republic of Macedonia has had liaison officers in the NATO Headquarters in Brussels and in the Coordination Cell of the PFP in Mons.
- The Republic of Macedonia joined the PARP process and in

June 1997, it became a member of EAPS, which represents a wide cooperation frame among the partners.

With the admission in the Partnership for Peace, Macedonia has made the first step that leads to our integration in this structure.

Partnership for peace is the main mechanism for strengthening the practical security ties between the Alliance and the partners. Through genuine programmes that reflect individual capacities and interests of the partners, the allied countries and partners work on the planning and budgeting of the national defense and the democratic control of armed forces.

Despite the disappointment from the last NATO Summit in Bucharest when Macedonia was not invited to join NATO, it is still determined to proceed with the initiated process of coming closer to the Alliance. Our country perceives its membership in NATO, with the vocabulary of the Macedonian national concept for security and defense, as providing conditions to preserve and strengthen the democracy, to protect the independence, and, of course, unlimited opportunities for economic growth. The experiences of the newest members⁹ can help us see the advantages of NATO membership. On the foundations of the successfulness of the countries in transition, regardless of the fact whether it is a question of economic development, respect of human rights and freedoms, or development and stability of

democratic practice and democratic institutions, the given countries have significant positions in the Alliance.¹⁰ The benefits from the membership in NATO will be big for the Republic of Macedonia having in mind the guarantees for the national security, support to the democratic and economic developments, reinforcement of the capabilities and capacities of the national security system, and, certainly, the privilege and the great respect in the international community.¹¹ The membership to NATO directly covers the military and political aspects of the members' national security, it creates the preconditions for accomplishing the economic and societal dimensions. However, the Alliance is not and cannot be the only and complete cover for the national security of the state. Also, the NATO membership does not solve all security-related problems of the country. Most of all, the Alliance is a military and political organization aimed at threats coming from outside, and for our country the internal stability is a bigger challenge and, of course, much more important.

Regarding the future of RM's Euro-Atlantic integration, the military aspect of the Macedonian security policy is aimed at the participation of Macedonian armed forces in the international peace support missions. The participation in these operations enhances the interoperability of the Macedonian armed forces and their defense readiness, and it also demonstrates that the country despite being a consumer, can

also be a provider of security.

Having in mind that the reason for not inviting Republic of Macedonia to the NATO family is not being able reach an agreement about our name with our neighbors, the Republic of Greece, (which, in my opinion has proven to be a very influential country on the international stage), leads me to believe that we (in our country) have a problem consolidating over a crucial question of existential meaning. Thus, it leads to a conclusion that we do not have a strong international policy, and more importantly, we do not have a common stance on questions like this, nor do we have proven to have the means to defend it. Regarding the fact that we are so determined to enter NATO, and, as it has been shown so far, Greece is not going to allow that until we make a compromise on the name issue, I strongly believe that we should try and think deeper and draw a line how far will we go in making exceptions on our road to NATO. My opinion is that we should stop here. NATO has a lot of criteria a country has to meet in order to become its member, but according to the current situation in the world, it needs strong and self-confident states, with tradition and principles they hold on to. The name issue is not a problem of security or defense, nor is it a part of the criteria for membership, thus we must not allow it to be the reason for Macedonia's alienation from the rest of the world. Even though we were not invited to join the Alliance, we were given a

"second chance", that is to receive the invitation and to become a member on the 9th of July 2008, when the other two countries from the Adriatic group (Croatia and Albania) join NATO. In order to go along with them we should make an even greater compromise with Greece regarding the name issue and join the Alliance, which according to me would be a great mistake because we are going to give up our history to join an Alliance which may disappear in a couple of years and then we will be left with nothing.¹² In this report I am not concentrating on the name issue between Macedonia and Greece, because it is a really great problem and an area I leave for those who want to explore it. According to me the key questions for the Republic of Macedonia regarding NATO are the advantages and disadvantages which derive from the following three assumptions for the membership in the Alliance:

The first assumption is a fast NATO membership, which would be better for us because we would become a stable country that cannot so easily be destabilized (the feeling of security would improve dramatically in the country as well as in the relation with other countries; in the area of the economy there would also be a noticeable progress owing to the fact that our country would represent a safe place for the establishing of new domestic companies as well as bigger foreign investments; regarding the politics, the democratic

principles would remain without any drastic changes towards authoritarian regimes).

The second assumption is a membership in the Alliance in the distant future, for which I believe is worse for us because, firstly, the intensity of the positive public opinion regarding NATO will slowly begin to fade and eventually disappear. Moreover, in addition to the basic membership criteria we have already reached, we will be imposed with new, additional criteria for which a compromise will have to be made, of course in our loss; or the old "criteria" regarding our name will be modified in different variations.

Finally, **the third assumption**, which is far the worst for Macedonia, is: coming in peace with the fact that there is no NATO membership for our country, we would have to understand that the reforms we are making are not for a membership, but lead towards a prosperity inside our country. This means that we would continue building a stable country based upon democratic maxims, and we would have to "fight" on our own for a place in the world, thus becoming a necessity for the international systems and organizations.

Regardless of the fact which of these three assumptions come true, there is a hard road in front of Macedonia which must be passed firmly and courageously.

Endnotes:

1. NATO handbook, 2001, NATO office of information and press, Brussels.
2. The end of the Cold War; founding of new democratic states; disintegration of the Soviet Union; the Gulf War; the crisis in Yugoslavia were all new challenges for NATO.
3. First wave: Czech Republic, Poland, Hungary because of their good strategic position; Second wave: Bulgaria, Romania, Latvia, Slovenia, Estonia, Slovakia and Lithuania (a political decision).
4. This Concept is implemented in 1999 on the Washington Summit.
5. The war against terrorism, weapons for mass-destruction and the organized crime.
6. Between NATO members, the partners from the PpP, Russia, China, EU and a large number of Muslim countries.
7. The Constitution was changed, a programme for implementation of the Framework Agreement was passed, numerous new laws were passed and the laws on financing the local self-government, territorial division and other system laws have also been passed.

8. Macedonia in NATO, Ministry of Defense of the Republic of Macedonia, Skopje, 2003.
9. Bulgaria, Estonia, Latvia. Lithuania, Romania, Slovakia and Slovenia.
10. Interests of the Republic of Macedonia in NATO membership, Project of the Centre for Strategic Research of the MASA, Skopje, 2007.
11. Strengthening of the position of Macedonia in the international community and the international institutions, as well as a possibility to take part in the decision making and with that influence the regional and wider international politics.
12. One of the clearer signs that NATO may disappear in near future are the disagreements between its member-states regarding Macedonia's membership in the Alliance (I am referring to the way of making decisions – according to the real-politics of big vs. small countries).

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EDUCATION REFORMS IN MACEDONIA: Homework for Government and Donors

Summer 2008

As Macedonia is step by step taking the long road to EU membership, one of the most persistent obstacles to overcome is the country's high unemployment rate. Since this has been a long lasting problem, solving it is not an easy task. The government needs to make important structural legislative and economic changes in order to increase the economic growth rate and the demand of the labour market, thus increasing employment.

Even so, the battle against unemployment needs to be fought on the supply side as well. As many studies have shown, a direct link exists between a rising level of education and faster growth in economic output. Education and skills development

therefore play a key role in ensuring a productive, appropriately skilled, competitive labour supply, crucial for Macedonia's successful integration into the European and global economies. Currently, the country's educational system is highly underperforming and needs major restructuring and reforms in order to provide a growing economy with skilled workers and managers. A low amount of compulsory instructional hours, poor educational infrastructure, and outdated curricula and teaching methods currently result in very low student performances.

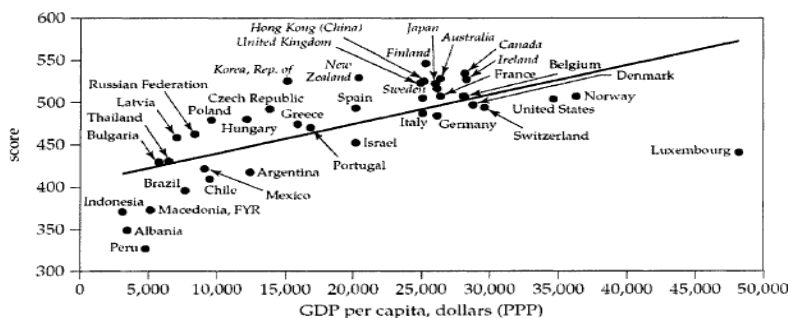
The government has not been able to address these issues in education properly since the break-up of Yugoslavia. It has failed to initiate, design and enforce adequate structural reforms in the education sector. The international non-governmental community has instead become the most important driving force behind educational reform. They provide the conceptual framework, funds, and capacity for structural, qualitative measures. Yet, despite more than fifteen years of donor-funded projects, programmes and trainings, student performances have barely improved.

Low grades on education quality and school infrastructure

The status of the Macedonian educational system is widely considered as worrisome. International education surveys have

ranked Macedonia among the worst performing countries in terms of education quality.¹ In the principal PISA-survey², for example, 87 percent of Macedonian students score below level 3 (1 being the lowest and 5 the highest). Only individuals who attain a score equal or higher than 3 are considered able to function adequately in a modern workplace. Of the countries in the region, only Albania performs worse, with 91 percent of the students below level 3. In the EU15 (the 'old' members of the EU), by comparison, only 40 percent of the students score as poorly. Although learning outcomes in general correlate roughly with the level of economic development, Macedonia's learning outcomes are worse than countries with similar levels of income per capita (see figure 1).³

Figure 1: Student Performances and GDP per Capita, PISA 2000, Reading.



Source: 'Expanding Opportunities and Building Competencies for Young People: A New Agenda for Secondary Education', World Bank, 2005.

Low quality of education and large-scale deterioration of school

infrastructure underlie the poor performances of Macedonian students. Curricula are mostly outdated, excessively content-based, focussed on memorisation and require children to absorb large quantities of facts. Content of the curricula has seen little changes since the 1980's, which results in almost obsolete knowledge and skills, particularly in secondary vocational schools. This problem is accompanied by teaching methods based on a traditional teacher-centred way of teaching, whereby the teacher appears as an authoritative source of information and children usually assume a passive role. Teachers present curricula verbally and frontally, while modern teaching methods are much more based on interaction with, and self-study by students. In addition, teachers lack motivation, mostly due to relatively low salaries compared to those of other public officials,⁴ and the many changes in the education system they are confronted with.⁵ These problems pervade the entire education system, starting from preschool and primary education all the way through to tertiary education.

Besides the problems that encompass the entire education structure, every education level has its own specific issues to deal with. Currently, only 20 percent of the children between the age of six months to six years attend **preschool education**. The low enrolment rate applies especially to children from non-ethnic Macedonian and/or rural background.

This is a problem, since children that have had the opportunity to participate in some form of preschool education achieve better results in the further course of their education and are less likely to drop out. Yet, the introduction of the 9-year curriculum in primary education in September 2008, lowering the compulsory age of entry into the educational system to 6 instead of 7, is expected to solve part of this problem.

As for **primary education**, for children from the age of 6 to 15, enrolment rates are high and the introduction of the new 9-year curriculum is expected to bring about positive changes in the performances of Macedonian students. On the downside, one of the key factors for low scores on international educational tests is the very small amount of compulsory instructional time for primary school students in Macedonia, compared to students from the EU15 and the new member

Comparator	7-8 years	9-11 years	12-14 years	Total grade 1-8
Macedonia A**	432	488	563	4016
Macedonia B**	444	520	640	4016
EU 15	781	836	902	6776
NMS	583	680	770	5516

states of the EU (NMS) (see Table 1).

*Table 1: Annual compulsory instructional hours by age; Macedonia, EU15, and the NMS**

* Annual compulsory instructional time is defined as the number of minutes per class hour times the number of compulsory class hours a week times the number of weeks of instruction per year, divided by 60.

** Macedonia A (B) assumes those 7-8 years of age are in grades 1-2 (2-3)

Source: MES for Macedonia, Table D1.I (OECD, 2005) for the EU15 and the NMS.

At primary level, the average EU15 (NMS) student is entitled to 69 percent (37 percent) more instructional time than the average Macedonian student. The low instructional time is mainly the result of a combination of double-shift schools and short lesson lengths. About 40 percent of primary schools are double-shifts, with the length of each shift equal to five hours, substantially less than the length of a shift in single-shift schools in the EU15 and NMS. Further, several years ago the government reduced the length of lesson times to 40 minutes from 45 minutes, resulting in a further decrease in instructional time.⁶

Another point of concern is the high dropout rate among students from Albanian and Roma origin, mainly due to the poor quality of education delivery (infrastructure, poor teacher training and moral, lack of teaching aids), traditional attitudes towards education of girls, early marriage and the start of work for boys at an early age. While the poor quality of education delivery can be overcome in the next few years, all other causes mentioned here have deeper roots and will be difficult to eradicate on the short term.

Attainment in *secondary education* has been an ongoing problem, with drop out rates between primary and secondary education of around 25 percent. Attainment has been low by both regional and international standards. In an attempt to overcome this problem, the government decided to make secondary education compulsory for all students, starting from September 2008. The effects of this measure have yet to be seen, although there is scepticism among non-governmental actors in the field of education. Their concern is that the measure will result in very large groups of students, in which the teacher will rather be keeping order instead of transferring knowledge. This in turn will make students unmotivated, as the level of education will decrease drastically.

Another problem in secondary education is the worrisome condition of vocational education and training (VET). VET is now the most common choice amongst secondary school students (two-third). However, VET-students find it very difficult to get a job, partly because they have been trained for profiles no longer in demand and partly because they lack particular relevant practical skills. In addition, vocational schoolteachers are primarily general subject or theory-oriented and school workshops are ill-equipped.⁷

The share of students enrolled in general secondary education is very low even by regional standards (one-third). About 22 percent of the students graduating from the general program

continue their studies at a *tertiary education* institution. This means that currently only 10 percent of the total age group attains tertiary education, which is very low compared to the 23 percent in the EU15.⁸ Another problem was that the representation of ethnic minorities in tertiary education was not reflecting their proportion in overall population figures. With the opening of two predominantly Albanian-language universities (South East European University and Tetovo State University) some years ago, this situation has gradually been reversed. Yet, the downside of this is that ethnic segregation now seems to have become a reality in higher education. The role that higher education used to play as a platform for interaction between ethnic Macedonian and Albanian adolescents has greatly diminished.

Ethnic polarisation in education is therefore increasing. Because of the Ohrid Agreements, teaching in the mother tongue at primary level classes and secondary level was already guaranteed. Although mother tongue teaching may contribute to the inclusion of minorities in the education system, it may also cause minorities to stick with their own cultural codes and values instead of integrating or interacting with mainstream society. This might result in an increasing educational and societal segregation along ethnic lines, especially in those municipalities where ethnic Albanians form the majority of the population. The government needs to be

alert on these developments and where possible maintain and create new opportunities in education for interaction between the different ethnicities.

Government and education

Education budget and strategy

Government spending on education has been on a declining trend in recent years, but is still modestly higher than most countries in the neighbouring region. Overall resources for the education sector thus are adequate, but they are used inefficiently.⁹ Expenditures on recurrent costs almost entirely use up government funds for education. Hence, government investment in the quality of education is nearly impossible.

Besides the problematic financial situation, it is also upsetting that the government lacks a clear education strategy. Over the past decade, several attempts have been made at drafting a comprehensive national development strategy for education, but almost all failed. In 2004, the Ministry of Education and Science (MoES) finally managed to complete the National Strategy for the Development of Education 2005-2015 (NSDE). When it comes to implementation of the strategy, however, scarce public funding and a lack of human resources heavily limit government action. The frequent changes in government contribute to this inertia. In the years 2004 to 2008, three

different ministers were consecutively in charge of education, each with its own priorities and ideas on how to proceed in reforming the sector. This has led to lack of commitment to the developed plans and consequently little or no implementation of the ambitious reform goals.

The main problem is actually that the education sector is politicized to a great extent. With each change of government, not only the minister is replaced, but also most high and medium ranked officials involved in the MoES and related government bodies (such as the Bureau for the Development of Education (BDE) or the State Inspectorate). Every new government tries to impose its views on the entire education sector. This prevents the country from developing a consistent long-term education strategy, and instead brings about ad hoc and sometimes conflicting decisions and measures.

Currently, due to the lack of a clear long-term strategy, the government uses the pre-election program 'Rebirth in 100 steps' of the leading party VMRO-DPMNE as a guideline for education development.¹⁰ Although for some of the statements in the program it is very clear how they should be implemented, most of them are written in very general terms. It is uncertain if there is an elaborated version of the pre-election program on education. What can be said until now is that implementation of 'Rebirth' seems to focus on more or less

five key issues: ICT/computers, English courses, religious education, sports, and improving of school facilities. While these are all noble goals, it is obvious that these are not the key issues that need to be addressed now. The real problems lie deeper, are structural and need an elaborated long-term strategy in order to be solved.

Furthermore, recent measures implemented by the current administration show several shortcomings. While the introduction of the 9-year curriculum in primary education is a very good initiative in itself, its effects might be seriously undermined due to the lack of training (two days) that teachers have received as preparation for the new curriculum. The same can be said about the introduction of compulsory secondary education. As mentioned above, it remains to be seen if the quality of education will be preserved if teachers have to deal with large groups of students.

The most controversial decision was the purchase of computers for all students for an amount of € 25 million. This amount of money exceeds the current spending on all non-salary recurrent costs in primary and secondary education (about € 18 million). No strategic plans exist for how these would actually be used in the classroom by students and teachers. Moreover, the cost of purchasing the computers would represent only about 30 percent of the ultimate cost that

will need to include sums for maintenance, upgrades, training and security. Much of these latter costs will fall on the municipalities, but the government does not have a financing plan to meet these costs.¹¹

The decentralization process

Decentralization in education transfers more and more responsibilities to the municipalities. The first phase of education decentralization in 2005 transferred property rights of the buildings of primary and secondary schools to the municipalities. Local governments were also made responsible for providing the conditions for primary and secondary education, i.e. maintaining and providing school infrastructure (buildings, heating, teaching aids, etc.) and transport. Due to insufficient funding by the government for operation and maintenance of schools, and poor conditions of many school facilities transferred to the municipalities, they are still struggling to fulfil their responsibilities.¹² Local governments were hardly prepared for the transfer of responsibilities in the first place. The central government failed to support them sufficiently in terms of legally defined service delivery towards their citizens as well as in terms of their responsibility and accountability towards the central government. In addition, there is a lack of administrative and financial capacity at municipal level.

Now, the second phase of decentralization is on the verge of being carried out. In this phase, municipalities will gain control of payment of teacher and non-teacher salaries, which accounts for almost 75 percent of the municipal education budget. While detailed responsibilities of municipalities are not finalized, it will most likely include approving all teaching and non-teaching positions in schools, paying all salaries of school staff, deciding on the division of students into classes, and managing and financing of student dormitories.¹³ The question is if local governments are prepared for, and can cope with, such a huge extension of their responsibilities in education.

Involvement of non-governmental organizations

Role, size and scope

Since the government lacks funds and vision, the international non-governmental community is an important driving force behind educational reform. NGO's provide the financial resources and capacity for the majority of qualitative investments in education. More than often NGO's are the one that also provide the conceptual framework for reform. They analyze existing policy, make fiscal and economical plans and preparations, create a method for evaluation, etc. In general, the government tends to neglect long-term structural reforms in education. In the event that the government does come up with a plan to improve education systematically, typically the

NGO-sector takes care of proper implementation. The larger organizations usually provide the much-needed manuals, trainings and benchmarks for most of the stakeholders (i.e. schools and municipalities).

The main donor-driven reform is the € 20 million Education Modernisation Project (EMP), a joint effort of the World Bank, the Netherlands Government and the Macedonian Government. Its main goals are to improve the quality and participation in preschool and primary education and to support the decentralization process in education through capacity-building at central and local level.¹⁴ USAID is also involved in a large programme, covering primary (PEP) and secondary education (SEA). PEP is a five-year (2006-2011), \$16.4 million initiative targeting all public primary schools in Macedonia. It seeks to improve the quality of instruction and increase employment skills of the youth through energy efficiency, school renovations, increasing access and improved use of information technology, improving math and science education, and improving student assessment. The SEA-project finished in September 2008, and focussed primarily on training of teachers, school directors and school boards.

Preschool and primary education are the main areas in which UNICEF has been active since 1993, currently through its 'Early Childhood Development' programme. It is a nationwide

programme, concentrating on several issues in schools, such as inclusiveness, gender equality, emancipation and child rights. On secondary education level, the German government through its aid organisation GTZ has invested huge efforts into the development of new curricula, teachers' and principals' training and equipment upgrading for three-year VET-programmes in the mechanical, electrical and automotive fields.¹⁵ The European Union has provided substantial funding support for four-year VET reform through successive EU Phare (1998-2004), CARDS (2004/2005) and IPA (2007-2013) programmes. VET curricula have been revised, teachers and headmasters trained and equipment delivered to schools. Other international actors in education include UNDP, the Soros Foundation, KulturKontakt (funded by the Austrian government), and Spark (funded by the Dutch government).

Coordination and harmonisation

Despite the large number of international actors in education, donor-coordination and harmonisation exist still only in very general terms. Coordination is mostly restricted to the exchange of information on an ad hoc basis and mainly on project level. As a result divergence, overlap and duplication of activities sometimes occur. An important reason for this is the fact that the government has still not taken a strong lead in coordinating donor efforts. In order for donor-coordination to

materialize, a more genuine ownership of the reform process by the government is crucial. Having been urged to do so by the international community, the MoES finally started a formalised donor coordination forum. Nevertheless, its scope and influence are still limited. There have been efforts of the donors itself as well to come to some sort of coordination and harmonisation among each other. These efforts have only recently brought up some positive results, mostly in form of irregular informal meetings based on personal acquaintance rather than formal regulated coordination.¹⁶

The donor organizations are reluctant to take the lead in the coordination of their own activities though, as they see this as a government task *par excellence*. The government must realize that it is responsible for running the education reforms in the country itself, not international donors. Notwithstanding their good intentions, the latter's agenda's do not necessarily coincide with that of Macedonia. At the end of the day, they have accountability towards their donors, not towards the Macedonian people. For example, the tendency of foreign donors to pay a lot of attention to ethnic minorities might result in increasing educational and societal segregation along ethnic lines. The government thus needs to keep a firm grip on the doings of the different actors in order to guarantee the best results for the country.

Lack of government control and coordination has already led to several complications. For example, the GTZ project assisting the three-year VET programmes has a different (German) curriculum policy to the more 'English' approach of EU VET curriculum modernisation for the four-year programme. The different approaches have led to parallel (and partly incompatible) curriculum systems. This in turn has unforeseen implications for a common qualification framework and structure.¹⁷ The third important actor in VET reform, USAID, has yet a different approach, scope and focus. Taken into consideration that most projects also have a limited scope, focussing on a fixed set of schools rather than working nationwide, it is obvious that big disparities in quality of teaching, equipment and curricula have arisen between VET schools over the past decade. The latter applies to primary education as well.

Sustainability of projects and programmes

Apart from improvement in school infrastructure, the large amount of money, capacity and effort that international organizations invests in the upgrading of the Macedonian educational sector, does not automatically lead to long-lasting results. The government's capacity to sustain project results beyond the expiry of donor-funded projects and to see pilot initiatives through to institutionalisation and mainstreaming is

highly limited. Partly conflicting donor agendas and the very high demands made on local capacity to steer, follow up and sustain project results contribute to this situation. In addition, the large number of different projects, instructions and trainings has led to an overloaded, disillusioned and unmotivated teacher staff. Even though the teachers are of good will, they are incapable and unwilling to follow up every single donor-instigated idea and regulation, as long as the law does not oblige them to do so.

The crucial point for the international donor community therefore is to get their programmes institutionalised. In the past, the NGO-sector has been focussing too much on their own projects, rather pushing their own agenda's than involving the government in order to gain long-lasting effects. Recent years have seen a positive turn-around in the donors' approach of education reforms. Starting with the EMP in 2004, large international donors more and more focus on programmes on policy level. In part they were forced to do so, as all the attention and capacity of for example the BDE shifted towards the EMP. In order to get their own goals on the agenda again, organizations like UNICEF and USAID started working more closely with central government's structures. By thus embedding their plans deep in government institutions, by building trust and goodwill, and by creating knowledge, understanding and commitment, they hope to achieve results

that go beyond the project's duration. However, the replacement of a large number of high and medium ranked officials following every change of administration seriously undermine this strategy.

Still, there are some results of this new approach by international actors. UNICEF managed to add an element called 'life-based education', focused on values and ethics, to the 9-year curriculum in primary education. The PEP-programme of USAID is a perfect example as well. From the beginning, close and structural cooperation has taken place between USAID, its Macedonian partner MCEC, local NGO's, the central and local governments, and other government institutions. Unfortunately, USAID's secondary education programme (SEA) ended in September 2008, without any guarantees that the government and its institutions will continue its components.

Conclusions and recommendations

In all, the condition of the education sector in Macedonia remains worrisome and problems are dealt with inadequately. The government is unable to live up to its role as the main actor in education reforms and international organizations fail to bring coherent sustainable improvement as well.

In order to solve the problems in education, it is urgent that

the government realizes that it has to depoliticize education. Only in a depoliticized environment is it possible to develop a consistent, high quality, long-term strategy for education reforms. In addition, the government needs to restructure its budgeting system in order to attain money for structural reforms. In this way, it can increase its capacity and take control of the reform process. Until then, it is necessary for the government to coordinate and harmonise international donor assistance, and find ways to embed positive results in its institutions and the law. If it fails to do so, the education sector will increasingly become a mosaic, composed by organizations that have no accountability towards the Macedonian people.

Endnotes:

1. The term 'education quality' includes elements such as quality of learning outcomes, equality and distribution, learning climate, school resources, and school policies and practices.
2. The Programme for International Student Assessment (PISA) is a worldwide (implemented in around 50 countries) standardized OECD-test, carried out every three years. The last completed test was the PISA-2003. PISA-2006 is well underway. PISA assesses how far students near the end of compulsory education have acquired some of the knowledge and skills that are essential for full participation in society.
3. World Bank, 'FYR Macedonia. Public Expenditure Review' (2008), 20-21.

4. Although teacher salaries are relatively high compared to neighbouring countries.
5. Interview with Nora Sabani, UNICEF.
6. World Bank, 'FYR Macedonia. Public Expenditure Review' (2008), 25-26.
7. European Training Foundation, 'Former Yugoslav Republic of Macedonia: Country Plan 2007' (2007), 3.
8. World Bank, 'Public Expenditure Review', 27.
9. World Bank, 'Public Expenditure Review', 33.
10. VMRO-DPMNE, 'Rebirth in 100 steps, 2006-2010' (Skopje 2006), 69-71. The program consists of 32 'bullets', each describing a measure to be undertaken in case VMRO-DPMNE would win the elections.
11. World Bank, 'Public Expenditure Review', 22.
12. Ella Hoxha red., *Guidebook Municipal Management of Schools* (Skopje 2007), 3.
13. Hoxha, *Guidebook*, 4.
14. ETF, 'FYROM Country Plan 2007', 4.
15. ETF, 'FYROM Country Plan 2007', 5.
16. Informal meetings involve representatives from UNICEF, USAID and World Bank, discussing for example progress or problems of EMP and ECD.
17. European Training Foundation, 'The Reform of Vocational Curricula' (2006)

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SMALL STATES ATTEMPT: Macedonia's Difficult Way into the International Com- munity

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Introduction

The accession to the International Community, in this regard EU and NATO, has been one of most important issues on the political agenda of Macedonia for years now. After the country achieved the EU candidate status in 2005 it seemed just a matter of time and reforms for Macedonia to join the Union and the NATO. At this point the southern neighbour Greece made once again clear that without a solution in the 14 years lasting name dispute between the two countries, there will be a Greek blockade towards both accessions. But the Greek behaviour was not the only obstruction to the Macedonian ambitions. Three years in a row the Former Yugoslavian Republic of Macedonia¹ Progress Report, published by the Commission of the European Communities, stated that the

country still is not ready to enter the official accession process. Although the report mentions the name row with Greece, the start of accession talks was not recommended for other reasons, mainly concerning the political reform process.

This report will try to highlight some of the dynamics which interfere with this process in consequence of Macedonia being a small state. This small statehood will be analysed by the concept of Hans Geser. To follow that intent I will at first point out what is a small state and to what extent Macedonia is in accordance to those criteria. Afterwards I want to stress three issues in Macedonia's attempt to join the International Community which are connected with Macedonia being a small state. In the conclusion of my paper I will point out solutions for the Macedonian state and present possible benefits for a small state in the international organization.

Small states

Like many other fields, the model of Statehood experienced a major change through the collapse of the Eastern Block. With the reunion of western and eastern Germany, the split up of the former CSSR and the break-up of the second Yugoslavia, many new small(er)² states emerged. This development reached its most recent peak with the Kosovo's declaration of independence in February 2008.

Concerning middle-eastern Europe, this development had a major impact on International Relations within the area and a significant influence on the behaviour of international organisations like the EU and the NATO. During the two most recent EU enlargements in 2004 and 2007 many small states like Malta, Cyprus, Slovenia, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Hungary and Bulgaria joined the Union.³ Most of these countries also joined the NATO. So the phenomenon of emerging small states was – at least in Europe – one of the dominating issues in international relations for the last two decades.

One very unfortunate example was the dissolution of Yugoslavia, which was followed by a serious international crisis. The violent conflicts were fought between new small states and hit the international community extemporaneous. The behaviour of these emerging small states was tragically unpredictable for the international community for the reason that they also miscalculated their motivations. This and other events brought the concerns of small states to broader attention.

What is a small state?

Before giving an answer to the question mentioned in the headline it is preferable to take a closer look to the public international law represented through the UN Charter. The

Charter of the United Nations was implemented to bind all its member states to its obligations over all other treaty obligations they may have. Therefore it can be recognized as the legal substructure of the international system. Already the first and the second articles are stating the equality of all states:⁴

Article 1 Paragraph 2:

"To develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples"

Article 2 Paragraph 1:

"The Organization is based on the principle of the sovereign equality of all its Members."

But already the preamble holds an exception to the general equality.

Preamble: *"...the dignity and worth of [...] nations large and small..."*⁵

This part in the charter implies a division among the nations which raises the question what defines small and what defines large nations. This report will focus on small nationhood and in what extent a state can be considered as a small state and what practical implications this entails.

Using the term *small state* makes it necessary to define it. One frequently used classification for small states is the *Laxenburg Definition*; it says that every state with a population of less than 15 million inhabitants/people should be recognized as a small state. This very simple subsumption can easily be doubted by its expressiveness on the scope of actions small states have in international relations. Nevertheless it offers a workable approach to mark the start of a classification. After a state is identified as a small state by this criterion the next step is to take a closer look at its current situation. Referring to Hans Geiser there are three dimensions of small statehood.⁶

- Immanent or substantial small statehood
- Contingent or relational small statehood
- Perceived or attributive small statehood

In this approach the verifiability seems to decrease from a) to c). While a) is containing measurable data like the territorial size, the population or a low level of resources, b) refers to the ability of exerting or withstand pressure in international relations and c) is trying to incorporate a subjective self-perception. Even though this decrease in verifiability can hardly be questioned the expressiveness seems increase from a) to c) because the self-perception of a state got mostly an even more significant impact on its behaviour than its very size.⁷ The

strength of this approach is to gain a valid picture of a state through the combination of very verifiable and very expressive indicators.

Other and mostly older approaches to small state theory like one of Robert O. Keohane⁸ are focusing on the limits of capacity to influence a great power or to defend itself against a great power to identify who belongs to the peer group of small states. This characterizes small states as a group of states that simply can do less, respectively have constricted resources, compared to big states, and therefore can only be successful in a defensive position.

Macedonia⁹ - a small state?

Immanent or substantial small statehood

Referring to the Laxenburg criterion Macedonia with its population of about 2 million can very clearly be estimated as a small state.¹⁰ Also the size of the country with 25.713 m² is contributing to Macedonia's immanent small statehood. Bringing the economical power and the wealth in resources into perception the country's situation as well corresponds to its smallness. The GDP of 7,59 billion USD in 2007 makes up to a GDP per capita of about 3,300 USD. With this GDP figures

Macedonia is ranked 122th out of 185 Nations listed by the World Bank.¹¹ forced Macedonia to change its ensign.

To define Macedonia's immanent smallness relating to the question of this report, we must also focus on its region.¹² So the question is which position does the country take compared to its neighbours? The state is the second less populated country in the whole Balkans. With the Kosovo having about as many¹³ inhabitants only Montenegro got fewer inhabitants than Macedonia. With its GPD the country ranks penultimate among the region.¹⁴ Consider the GPD per capita Macedonia is passing Albania, but still stays in a comparably weak position.

Contingent or relational small statehood

Being a part of Yugoslavia for more than 40 Years, Macedonia had to assert itself mainly against the other states of the federation. During this time Macedonia always played a minor role compared to other member states of the federation. With this historical background the sovereign behavior of Macedonia has a very short tradition.

In the time after the dissolution of Yugoslavia the trade embargo against Macedonia initiated by Greece in 1995 showed the limited political resources of the new sovereign state. This embargo was ended through the execution of an interim agreement in September, which among other things

In its relations to Bulgaria, Macedonia's eastern neighboring state still refuses to recognize Macedonia as an independent Nation. Also the language is considered as a regional dialect of the Bulgarian language. Overall the relations among Macedonia and Bulgaria are normal, but till today Macedonia was not able to achieve neither the recognition of its nation nor its own language through Bulgaria.

Perceived or attributive small statehood

During its time being a part of Yugoslavia, Macedonia only had little chance to break out of its minor role among the other states. Doubtlessly the socialist structure of the federation contributed to Macedonia's weak position. In this matter the country always acted like a small state within the Yugoslavia. Of course this perception also had immanent reasons, which were described above. The independence of Macedonia was declared on the 8th of September 1991. At this date Croatia and Slovenia already had declared their independence. So it seemed that Macedonia was rather accepting the inevitable break-up of Yugoslavia then following an inherent wish to become independent. The fact that Macedonia was not involved in the Yugoslavian war till 1995 also shows that Macedonia was perceived as a minor state and of no great importance to Serbia.

With the Greek trade embargo shortly after the independence of Macedonia, the country was again very soon confronted with its smallness in terms of dependence. Nowadays the country still is seen as a small state by all means from most of their neighbors. Politicians on the other hand try to compensate that smallness mostly by rhetorical means. This happened especially during campaigns like the presidential campaign 2008.

Macedonian challenges

Macedonia's specialty

Despite of the three dimensions Geser describes, Macedonia has a 4th dimension which derives from a special circumstance among Macedonia's population. As a multiethnic state by constitution¹⁵ the country possesses one of the relatively largest single minorities¹⁶ among all countries of Europe. Under this chapter I will clarify which impact this has on the progress in international integration, but also which ramification this 4th dimension got on Macedonia's small statehood.

Albanians by far constitute the smallest Group of ethnic Albanians among all Albanians in that region.¹⁷ In opposite to that they constitute the largest ethnicity within Macedonia

followed by Turks, Vlachs, Serbians, Romans, and Bosniaks. Referring to the census in 2002 this ethnic groups together form almost 36% but the Albanians are by far the largest group.

With the implementation of the Framework Agreement in 2001 in Ohrid, recent violent tensions between ethnic Albanians and ethnic Macedonians came to an end. This agreement, which was signed by both sides on the 13th of August 2001, contained a peace accord that improved the rights and the representation of the ethnic Albanian minority in Macedonia. In the aftermath, this agreement has achieved to calm the tensions and managed to integrate more Albanians in the political and social system.

On the downside the Framework agreement also had some unfortunate outcomes. One thing the agreement couldn't prevent so far is that still many politicians are tending to serve predominantly their ethnical group. Although the Framework Agreement improved the cooperation on a high political level it failed to do the same for the local level. The geographic disintegration is the most obvious example for this development. Today, more than 90% of the Albanians are living in the north-western part of Macedonia. In this manner the country is getting ethnical parted. For a country with only 2 million inhabitants this is not just a serious issue in interior

politics it also has a major effect on its capabilities in foreign politics.¹⁸

Concerning the accession to the EU, the elections in June 2008 had very bad accompaniment. According to the International Election Observation Mission of OSCE and ODIHR in their preliminary conclusion it says:

“Election day was marred by violent incidents, intimidation, and ballot box stuffing in predominantly ethnic Albanian areas. [...] early morning incidents left on person fatally wounded and several others injured.”

With these incidents on the election day Macedonia made a huge step down in the eyes of the EU member states. Being one of the most important elements of modern Democracies, free and fair elections are obligatory. It is much likely that this was one of the main reasons that Macedonia was not invited to start the EU accession talks in November 2008.

Public Administration

In 2005 Macedonia officially obtained the candidate status for the accession to the European Union. Within the EU accession process, since 2001 the improvements and developments of the Macedonian state towards the EU are yearly evaluated through a progress report. One very important section in this report is the progress in meeting the Copenhagen political

criteria. The public administration plays a key role within this section, but suffers from problems which are highly related to Macedonia's small statehood. The report in 2007 pointed out very clearly that one of the most extensive deficiencies in the Macedonian administrative are the political fluctuations within the administration.

The large-scale dismissals of officials following the change of government in 2006 illustrated the politicisation of appointments at all levels in the public administration and disrupted its functioning well into 2007. Time and expertise were lost in reorganisation and extensive changes of personnel in the public administration.¹⁹

Such a high circulation among the public administration also creates an increased need of qualified workforce, because positions should at most be filled with equally qualified personnel. To allocate such workforce, a capable education system is indispensable. For two reasons this system must be also questioned in Macedonia's case. The first reason is the overall limited financial resources of Macedonia, which fully apply on the education system. International studies like the PISA-survey in 2000 ranked the Macedonian educational system as one of the worst among all participants.²⁰ The second reason refers to the 4th dimension of Macedonia's small statehood. According to the Ohrid Framework Agreement under chapter 4.2 the

"...equitable representation of communities in all central and local

the Macedonian constitution as it was signed on the 17th of September 1991. In this constitution Macedonia claimed that it will support Macedonians everywhere.

"The Republic cares for the status and rights of those persons belonging to the Macedonian people in neighbouring countries ..."

Greek officials concluded that this was also addressed to a Macedonian minority living in a northern province which is also called Macedonia, and therefore expressed a claim on this part of Greece by the Macedonian state. The Macedonian side denied this but Greece put up a trade embargo for Macedonia which hit the country hard. As early as 1992 the Macedonian constitution was adjusted by an amendment that denied any claims on other territory. But this couldn't solve the conflict with Greece. In 1995 the embargo was finally ended by an interim agreement. The solution of the name dispute was excluded from this agreement. So both sides agreed to keep on negotiating on the name row. Yet, before Macedonia became a member of the UN on the 8th of April 1993 under the provisionally name of FYROM and until nowadays the country is trying to establish the name Republic of Macedonia through bilateral agreements. The interim agreement from 1995 also stated that Greece would not object any Macedonian applications to international institutions as long the name

FYROM is used. Although the application for the NATO has been made under the name FYMRO, Greece made clear that it will veto against the accession as long the dispute is not solved. The necessity to enter the EU with a non-provisionally name put the Greece blockade in an even stronger position. Both institutions cannot accept a new member if Greece does not agree. In this regard the Progress Report 2008 for the EU mentioned:

"Relations with *Greece* are close and cover many areas, [...] Nonetheless, relations between the two countries were further affected by the unresolved name issue. Actions which could negatively impact on good neighbourly relations should be avoided. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue, under the auspices of the UN, remains essential."

From a distance point of view especially the official Greece position seems to be unreasonably. Macedonia today is by no means able to claim or threaten Greek territory. As a matter of fact a Macedonian accession to the International Community would be another certainty for the territorial integrity of Greece towards Macedonia. However the conflict between Greece and Macedonia reached a new peak in November 2008 with Macedonia taking Greece to the International Court of Justice for breaking the 1995 interim agreement. With this decision

public bodies and at all levels of employment within such bodies...²¹

must be guaranteed. Presenting about one fourth²² of the population that meant for the Albanians to increase the representation within the administration up to 25 percents. Considering the low educational standard among Albanians before the implementation of the Framework Agreement, yet another problem in this context is highlighted. A predetermined part of the workforce has to be recruited within a section of the population that had suffered from educational disadvantage. The fact that until 2001 Albanians were not able to study in their native language was one of the main reasons for this educational disadvantage. If this situation is associated with the high political caused fluctuation, the administration can hardly sustain a proper workforce on side of the Albanians. The Albanian community therefore had to increase its intellectual capacity tremendously to meet the needs of their proper representation. After 2001 many programmes and projects in this regard were launched. The foundation of the SEE-University and the recognition of the state university in Tetovo are just some of the steps which were taken to reduce the educational discrimination among the Albanians. Today, after a relatively short period of seven years since this problem had begun to be addressed there is still a lack of qualified workforce.

On one side the general educational problem in Macedonia and

the educational disadvantage of the Albanians are causing a serious deficit in administrative performance. On the other side a lack of qualified workforce and with ongoing, political motivated circulation of employees the administration is suffering from serious shortcomings which were severely criticized by the progress report.

"Administrative capacity for both strategic planning and policy development needs to be further strengthened. Capacity to prepare legislation, and hence the quality of draft laws, continues to be uneven. [...] Adequate human and financial resources to implement the SAA and the National Programme for the Adoption of the acquis (NPAA) are lacking. The structural reorganisation of the ministries has tended to be geared to accommodating staff changes rather than responding to strategic and functional planning needs."²³

From the theoretical point of view these problems are caused by Macedonia's immanent small statehood. With limited human and financial resources the country was so far not able to tackle this problem properly. The essential integration of the Albanian minority has aggravated the problem so far. Considering the educational gap will diminish in the next years, the overall situation still needs serious efforts.

Name dispute

The so called name dispute or name row derived its origin from

Macedonia seems to compensate its inability to progress against the Greek position within the UN name negotiations. The lawsuit however can have far-reaching consequences for the dispute with Greece and the connected Greek blockade

"The Republic cares for the status and rights of those persons belonging to the Macedonian people in neighbouring countries ..." ²⁴

Greek officials concluded that this was also addressed to a Macedonian minority living in a northern province which is also called Macedonia, and therefore expressed a claim on this part of Greece by the Macedonian state. The Macedonian side denied this but Greece put up a trade embargo for Macedonia which hit the country hard. As early as 1992 the Macedonian constitution was adjusted by an amendment that denied any claims on other territory. But this couldn't solve the conflict with Greece. In 1995 the embargo was finally ended by an interim agreement. The solution of the name dispute was excluded from this agreement. So both sides agreed to keep on negotiating on the name row. Yet, before Macedonia became a member of the UN on the 8th of April 1993 under the provisionally name of FYROM and until nowadays the country is trying to establish the name Republic of Macedonia through bilateral agreements. The interim agreement from 1995 also stated that Greece would not object any Macedonian applications to international institutions as long the name FYROM is used. Although the application for the NATO has been made under the name FYMRO, Greece made clear that it will veto against the accession as long the dispute is not solved. The necessity to enter the EU with a non-provisionally name put the Greece blockade in an even stronger position. Both institutions cannot accept a new member if Greece does

not agree. In this regard the Progress Report 2008 for the EU mentioned:

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From a distance point of view especially the official Greece position seems to be unreasonably. Macedonia today is by no means able to claim or threaten Greek territory. As a matter of fact a Macedonian accession to the International Community would be another certainty for the territorial integrity of Greece towards Macedonia's attempts. The court procedure will at least take for three to five years until a decision can be expected. Even though the Greece side decided to stay in negotiations with Macedonia, it became more unlikely that the name dispute will be solved in the meantime. Also the outcome of the trial is not obligatory for the Greek government.

Conclusion & Benefits & Solutions

Conclusion

Macedonia is by all means a small state. This small statehood

is in Macedonia's case mostly linked with unfavourable consequences. These consequences become explicitly noticeable in its attempt to join the International Community. After the ethnic conflict in 2001 the state was able to make remarkable progress towards the EU and NATO until it finally achieved the official candidate status in 2005. From that point until today Macedonia seems to have slowed down in its progress towards the International Community. Especially the implementation process suffers from Macedonia's small state conditions. The lack of qualified workforce, a high politically caused fluctuation within the public administration and a diminishing but still present educational disadvantage among the Albanian minority creating adverse conditions for the Macedonian attempts to become a member of the EU.

However the biggest problem among the others is the still unsolved name dispute with Greece. This dispute is now almost 18 years old and after the enforced Macedonian accommodation in 1995, the excluded name dispute was not able to be solved for another 13 years. Considering the importance of the accession into the International Community for Macedonia, it is unedifying that with the trail at the ICJ²⁶ the chances of a solution seem to be marginalized for the next 3-5 years. Those developments are leaving Macedonia out of any possible accession in the next few years and refuse all the benefits the country as a small state could profit from.

Benefits

After summing up Macedonia's difficulties as a small state, there is a need to show what benefits Macedonia can have as a part of the International Community.

The most obvious advantage for Macedonia would be the tremendously increased national security and chances for economic development. Examples like Portugal or Ireland are showing how small states can profit from the International Community. So entering the International Community offers small states some considerable advantages. Allocation of votes and seats in EU Institutions are in favour of small states right now.²⁷ With the ratification of the Lisbon treaty this advantage will decrease, but Macedonia would still be relationally over represented through EU institutions. Small states in Europe also often get the chance to be mediators. In this way they can have a significant influence on the outcome of major decisions within the EU. Also they get access to information in every field of the EU's activities, because every state must be involved in all decision making processes.

One of the greatest advantages for small states in international communities derives from their very specific interests, mostly without any conflict of interest within the own country. Those interests are in addition often perceived as minor claims by other members. Meanwhile big states like Germany or France

are having wide spread interests in almost every field, a small state like Macedonia can be very flexible on most topics. This way it was possible for states like Portugal to negotiate a favourable deal in production and selling contingents on winegrowing and poultry farming.²⁸

Solutions

This report pointed out two inner problems for the Macedonian state. Both of these problems are interfering with Macedonia's small statehood in very unfavourable ways. The solution to the insufficiencies of the public administration seems rather feasible than the solution to the Macedonia's special ethnical situation. For the public administration it is of highest importance to stop the political caused fluctuation within administrative bodies. If this is not prevented in the future it will be hardly possible to create and execute long time strategies. To tackle the attempt to join the EU this will slow the process significantly. The fluctuation also uses up highly qualified human resources because their employment is not guaranteed by competence but by political loyalty. Without a qualified workforce the implementation of political reforms can hardly be done properly. So this creates a vicious circle which needs to be broken.

The ethnic division in Macedonia is a problem of wider range. With the implementation of the Framework agreement the

discrimination of the Albanians was evidently reduced. But developments like the ethnical disintegration of the living spaces led to a further division among the social sector. With Macedonia having a split up civil society this restricts not just the capabilities in interior affairs but also in foreign affairs. To avoid that Macedonians and Albanians must increase their efforts on working together on a social level for their very own interest.

With elections coming up in 2009, the name dispute with Greece seems to make a fast solution impossible. The current government under Nikola Gruevski showed by many actions that they are not ready to give in on this topic. But one thing is certain in Macedonia's attempt to get into the International Community - there is no way around Greece and in this confrontation Macedonia is clearly the weaker part. Despite all justified reservations against the Greek position Macedonia may have, the country now needs to be pragmatic. After the experiences with the two new Balkan member states Romania and Bulgaria it is necessary for Macedonia to show, by all means, that this country will be a more pragmatic and reliable member in the European Union. Being a small state by all means Macedonia should overcome its inherent obstructions to reach out for the NATO and EU membership by what ever it takes to get in.

Endnotes:

1. It is the official acronym for Republic of Macedonia in the United Nations.
2. Except in the case of the new Bundesrepublik Deutschland
3. The criteria for small states is here the Laxenburg Definition – which will be explained further below
4. This of course only concerns the 192 member states
5. Charter of the United Nations, 19/04/2001
6. Hans Geser, „Was ist eigentlich ein Kleinstaat?“ [What in fact is a small state?] in *Kleinstaaten-Kontinent Europa. Probleme und Perspektiven* [Small state continent Europe. Problems and perspectives] ed. Romain Krit (Baden-Baden: Nomos-Verl.-Ges., 2001), 90.
7. Hans Geser, „Was ist eigentlich ein Kleinstaat?“ [What in fact is a small state?] in *Kleinstaaten-Kontinent Europa. Probleme und Perspektiven* [Small state continent Europe. Problems and perspectives] ed. Romain Krit (Baden-Baden: Nomos-Verl.-Ges., 2001), 96.
8. Robert Owen Keohane, "Lilliputians' Dilemmas: Small States in International Politics." in *International Organization*, Vol. 23 No. 2 (1969): 291–310.
9. During this whole paper I will refer to the Former Yugoslav Republic of Macedonia as Macedonia. There will be a closer look at the states name issue with Greece under the chapter name dispute
10. The exact figure is 2.022.547 according to the state statistical office of Macedonia.
11. Worldbank, "Gross domestic product 2007" <<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>> (accessed December 09, 2008)
12. In this case Greece, Bulgaria and the western Balkan states
13. There are just vague figures about the Kosovo
14. The Kosovo is not included because there are no reliable figures available at the moment.
15. This was one of the obligations established within the Framework Agreement and implemented through the 4th amendment in the Macedonian constitution 2001
16. The meaning of the term minority in this context does refer to a quantitative attribute and not to a official status
17. It is necessary to recognize them as a separate group to avoid a wide spread misunderstanding that all Albanians can be seen as one because their live in a continuous area only separated by national borders

18. Thomas Jansen, „Zur Außenpolitik kleiner Staaten“ [Concerning foreign policy of small states] in *Kleinstaaten-Kontinent Europa. Probleme und Perspektiven* [Small state continent Europe. Problems and perspectives] ed. Romain Krit (Baden-Baden: Nomos-Verl.-Ges., 2001), 169.
19. European Commission, “THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA 2007 PROGRESS REPORT” <http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/fyrom_progress_reports_en.pdf> (accessed December 09, 2008)
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24. Article 49 of the Constitution of the Republic of Macedonia
25. European Commission, “THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA 2008 PROGRESS REPORT” <http://ec.europa.eu/enlargement/pdf/press_corner/key_documents/reports_nov_2008/the_former_yugoslav_republic_of_macedonia_progress_report_en.pdf> (accessed December 09, 2008)
26. International Court of Justice
27. Silvia von Steinsdorff, EU-Kleinstaaten: Motoren der Integration? [EU-small states: Engines of integration?], *Aus Politik und Zeitgeschichte*, No. 46 (2006): 26. <<http://www.bpb.de/files/5YUVG6.pdf>>
28. *Ib.* 28.

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Nicoló SARTORI, *Italy*

RUSSIA'S ENERGY STRATEGIES IN THE BALKANS

Why is the Region so Important for Russia's Energy Security?

Fall 2008

SUMMARY

The aims of this paper are to examine why the Russian authorities place such emphasis on the role of the Balkans as energy partner, and to understand if the region is effectively so important in the Kremlin's energy security strategies. After a general overview on the current global competition for energy resources and an analysis of the peculiar characteristic and challenges of Russia as "energy supplier", the focus will be oriented on the causes which lead Moscow to massively orientate its political and economic investments in the region. The Balkans are neither a resources-rich region, nor a key market for Russian exports: however Russia is proactively intervening in the regional energy sector, raising the concern

of Western governments, which consider the Balkan a key route in their attempt of energy diversification from Moscow. However, a deep analysis of the present Russian energy scenario show that the policies undertaken by Moscow do not have only the geopolitical purpose to halt the European run towards South-East, but are also driven by economic needs which force Russia to find alternative paths and markets in the Balkan region. Finally, appears also clear that Balkan States want to exploit this opportunity and try to gain as much as possible by the competition emerging between Russian and the West in the region.

INTRODUCTION

During the last years energy security and resources availability have become two of the most significant issues in the International agenda, altering both political and economic relations among great powers. The growing demand of resources within Western states, and the appearance of new energy consumers as China and India, suddenly transformed the relative scarcity of hydrocarbons in a tight competition for the access to energy reserves. Therefore, appears clear why energy security, and in particular supplies availability, increasingly affect geopolitical strategies and behaviours of main global actors.

In 2005, global demand of energy was about 10,000 Millions Tons of Oil Equivalent (Mtoe): this figure is supposed to grow by more than a half in 2030, with the trade of oil and gas still dominating energy markets. The mid-term oil demand will rise significantly, pulled by the transportation sector and by the economic growth of developing countries. In 2007, global oil demand was around 16 Millions of Barrels per day (MB/d), but

it is expected to rise to 26 MB/d in 2012. Consumption of natural gas worldwide will increase from 2.8 trillion cubic meters (TCM) in 2004 to 4.6 trillion cubic meters in 2030, mainly to satisfy electric power and industrial sectors.¹

Due to this rising energy demand, Western countries put great emphasis on the risks related to energy security and availability of resources, and started to elaborate rational attempt to deal with this worsening energy security situation. The European Union and the United States, in various official documents called for the implementation of security strategies, based on the concept of energy diversification. Under current circumstances, diversification means availability of different energy sources and geographical origin, as well as transit routes. To foster such diversification, Western policy agendas should secure a series of different supplies, facilitate the maintenance and upgrade of existing energy infrastructure connecting its members' territories with energy suppliers and enhance the development of new energy projects in agreement with transit countries.

Nevertheless, energy security does not rely only to "consumer" countries, such as the US or the EU's member states. Also "producer" countries have to deal with issues related to energy security. Major questions for gas and oil suppliers involve the reliability of export markets and the behaviour of transit countries and are as problematic as matters faced by energy importers.

Russia is at the same time, the World's largest exporter of natural gas, the second largest oil exporter, and the third largest energy consumer. Russian economic growth and domestic welfare highly depend on energy revenues; thus, it is

easy to understand Moscow's rising concern on energy competition and it is clear why Moscow is trying to develop a solid national energy strategy in order to maintain, and hopefully reinforce, its economic and political security in the international system. This strategy includes a deep investment in the Balkans, which are considered by Moscow's authorities a natural hub for Russian deliveries to European markets.² However, many people in the Western political establishment see this Russian plan a clear geopolitical attempt to limit West's influence in the region and slow down its frenetic (but uncoordinated) effort to acquire energy resources away from Russia.

RUSSIAN OIL AND GAS SECTOR: AN OVERVIEW

Oil and Gas Reserves and Production

Russia's oil proven reserves estimates vary widely, from a minimum of 60 Billion of Barrels (BB)³ to a maximum of 50/180 BB⁴. Even if other countries, especially in Middle East, have larger reserves, in 2007 Russia became the World's first producer with about 10 MB/d, followed by Saudi Arabia and the US. However, in early 2008 Russia's production started to decline, rising concern of Moscow's elite that immediately tried to alter the dynamics within of its energy industry, stimulating domestic oil production through fiscal cuts and tax breaks. Thanks to this strategy, Moscow expects oil production to increase by 1.3 MB/d by 2015, but recent data furnished by Ria Novosti demonstrate that the Russia's oil output is still declining.

With a total amount of 47814 Trillion Cubic Meters (TCM) of

gas, Russia holds the World's largest gas reserves. This figure is nearly twice the proved reserves of Iran, that second global power the sector. Moscow is not only the gas-richest country, but it is also the global leading producer. In 2006, Russia produced approximately 632 Billion Cubic Meters (BCM) of natural gas, roughly 22% of the World's total production. According to Russia's State Statistics Service (Rosstat)⁵, natural gas production grew 1.7% during the first semester 2008. Moscow's leadership optimistic forecasts expect gas production reach the figure of 1 TCM by 2030. However, economic and structural difficulties in the sector, suggest that Russia's gas industry has few possibilities to reach the forecasted amounts.

Despite great amounts of resources available, Russia's oil and gas industry presents some negative aspects which slow down its steady development:

- First, the reliance on giant but ageing fields, such as Samotlor and Urengoy, which can not guarantee anymore an appropriate energy output to sustain the rising demand, both foreign and domestic. The new rich fields, located primarily in the Arctic and Eastern Siberian regions, remain still unexplored and unexploited.

Second, the increasing control of the State over the energy industry, which determined a near monopolistic domination in the sector. Due to its monopolistic supremacy, companies as Gazprom or Lukoil, have little pressure either to invest in upstream development or to become more efficient. Moreover, this Kremlin-led approach to energy policy has undermined both Russian and foreign private investor confidence.

Exports

Recent Russian robust economic performance has been driven by massive energy exports together with relatively high oil and gas prices. This type of growth has made the Russian economy very dependent on oil and natural gas exports and vulnerable to fluctuations in world oil prices. In 2007, Moscow used roughly 2.8 MB of its crude for domestic consumption, exporting around 7 MB per day, mainly in European⁶ and Chinese markets. In 2006, revenue from hydrocarbon exports comprised around 50% of the Russian federal budget. In early 2008, when the price of oil hit \$100/bbl, Moscow was earning nearly \$800 million each day from oil and gas exports

Russia is the main supplier of Europe with a share of 33%. Some Eastern Europe states are strongly dependent on Russian gas: for example Slovakia (100% of total domestic consumption), Bulgaria (96%), Czech Republic (74%), Slovenia (64%) and Hungary (54%). In addition, Baltic States import 78% of their total consumption from Moscow. Also great countries as Poland (47%), Germany (36%), Italy (25%) and France (20%) import huge amounts of natural gas from Russia. Although the Balkans are not a key energy market, because of the relatively limited resources consumption (237000 barrels of oil per day and 203 billion cubic feet per year)⁷, Russia' footprint in the region is rather evident. In fact, Moscow is a major supplier of energy to the countries of South Eastern Europe, providing 73 BCM of gas and 59 million tones of oil in 2006.⁸

Despite these impressive figures, Russia's export capacity is facing increasing difficulties. Three are the main difficulties

which characterize Russia's energy exports:

- obsolete infrastructure networks
- unreliable transit partners

Europe's attempts to diversify away from Russia's markets

Being so dependent on hydrocarbons export revenues, it stands to reason how Russia's economic growth as well as domestic welfare reforms are deeply intertwined with high oil and gas prices, reliable exports markets and secure and well-functioning pipelines and energy infrastructures. Moreover, it is clearly evident why Russia's leadership effort in diversification, seeking both different routes and export markets in the Balkans region.

WHY MOSCOW GOES TO THE BALKANS?

The Balkans are a key area for Russia's energy plans. From a geopolitical point of view, the Balkans are extremely important in Russia's attempt to challenge Europe's energy projects, especially (but not only) Nabucco. This 3,330 km gas pipeline, running from Baumgarten in Austria to Erzurum, in Turkey, is supposed to deliver Caspian gas bypassing Gazprom infrastructure, reducing European reliance on Russia's gas. The EU-backed pipeline will cross the Eastern Balkans, passing through Bulgaria, Romania and Hungary and will deliver a maximum of 13 BCM per year to the Central Europe's market, sensibly increasing the EU's influence within the region. At the same time, the EU supported the construction of the Baku-Tbilisi-Ceyhan oil pipeline, which carries Caspian oil directly

from Azerbaijan to the Mediterranean, bypassing *de facto* the entire Russian oil infrastructure. In light of this, it is quite common (but also simplistic) to perceive Russian strategies and investments in South Eastern Europe as a geopolitical attempt to regain influence in the Balkans.

However, energy competition is too complex to be reduced to a geopolitical zero-sum game in which in which any Europe's gain or loss is exactly balanced by the losses or gains of Russia, and *vice versa*. Russia's interest in the region is much wider, and it is not driven only by geopolitical concerns, but also by economic considerations and analysis. The region is a fundamental path for Russian supplies to reach Southern European market bypassing both Ukraine and Belarus, which during the last years gave many problems to the Kremlin on the transit of energy resources and the Turkish straits, which currently are too engorged to guarantee a regular energy flow outside the Black Sea. Finally, Moscow, worried by persisting Europe's diversification attempts, is seeking to consolidate its position in the Balkans' emerging energy market.

Thus, driven both by political and economic calculus, and by the traditional sense of weakness which characterize Russian energy diplomacy, the Kremlin is rapidly moving to enhance its energy influence in South Eastern Europe. The competition with Europe is open, while Balkans countries are attempting to gain as much as they can from their increasingly strategic geopolitical position.

ALTERNATIVE ROUTES

Russia's energy interest in the Balkans is mainly determined by Moscow's attempt to diversify oil and gas exporting routes to

Europe, both for economic and geopolitical reasons. First, challenged by continuous disputes with "long time" transit countries such as Ukraine and Belarus, Russia is seeking in the Balkans an alternative path to reach hard currency markets in Europe. Second, the Kremlin is trying to counterbalance the orientation of Balkans states towards NATO and EU, extending its influence on regional countries involved in West-led energy projects.

For long time the region has been under the Russian sphere of influence, and now the Kremlin is trying to use its long-standing historical ties with some regional leader countries (Bulgaria and Serbia first and foremost) to transform the Balkans in a reliable hub for Russia's energy flows. To realize its plans, in recent years the Kremlin undertook some important regional infrastructure projects, such as the gas pipeline South Stream and the Burgas-Alexandropoulos oil pipeline. These two energy plans well exemplify the current Moscow's proactive approach towards the region.

South Stream

The gas pipeline South Stream is the most visible example of Russia's attempt to diversify its gas exporting routes to Europe. As said above, most of gas supplies from Russia to European countries are carried by the Gazprom pipelines and have to pass through Belarus and Ukraine. The last two years have been characterized by harsh disputes between Moscow and Kiev in 2006, and Minsk in 2007, over gas prices and deliveries to Europe. Russia repeatedly accused Ukraine of siphoning off its Europe-bound gas in the past, and cut gas exports to Ukraine on January 1, 2006 restoring it only on January 4.

Similarly, on late 2006 the Kremlin blamed Minsk to tap the oil off the pipe without mutual agreement. The dispute escalated on January 8, 2007, when the Russian state-owned pipeline company Transneft stopped pumping oil into the Druzhba pipeline which runs through Belarus. Minsk threatened to deny Moscow access to its pipelines, through which flows 20% of Russia's natural gas and 10% of oil to Western Europe. Reducing Russian energy flows to Europe, these disputes damaged Moscow economically in the short-term period, but above all such quarrels raised European concern and anxiety over Russia's reliability as energy partner.

Growing concern on the Kremlin's behaviour drove EU members to seek alternative sources of gas away from Russia, in particular towards the former-Soviet domains in the Caspian region. This European attempt to diversify from Russia alarmed the Kremlin's leadership, which at present has not reliable exporting alternatives to Europe (e.g. China and Japan), and for this reason can not risk to lose its Western neighbours as energy partners.

However, it is clear that South Stream choice has also a geopolitical value, as alternative to Nabucco: the two aspects are, indeed, deeply intertwined. Moscow still considers both the Caspian Sea and the Balkans as two privileged spheres under its influence. Thus, Russia tries to prevent or hinder any Western attempt to extend control and authority in those regions.

The purpose of the South Stream pipeline is to deliver Russian gas to Southern Europe and the Balkans bypassing both unreliable Ukraine and Belarus and NATO's member Turkey. In fact, the Russo-Italian joint pipeline projected by Gazprom and

ENI will run from the Russian coast of Beregovaya, directly to the heart of the Balkans. The 900-km offshore part of the pipeline will cross the Black Sea, reaching a depth of 2,000 meters underwater, and will arrive in Varna, on the Bulgarian coast.

Despite its European membership, Bulgaria is a key partner in Russia's energy plans within the Balkans. Depending for 96% on Russian gas, Sofia was and remains extremely blackmailable by the Kremlin. Nonetheless Moscow returned Sofia's loyalty signing an agreement which set up an equally owned company to build and operate the Bulgarian section of the pipeline. Two different routes are planned for the onshore section: the south-western pipeline would continue through Greece and the Ionian Sea to southern Italy, while the north western one will run through Serbia, Hungary and Slovenia to Austria ending at the Baumgarten gas storage.

Despite President Putin officially declared that: "*building new infrastructure capabilities does not mean reducing or closing down our cooperation with other transit states*", the South Stream pipeline, carrying to Europe's markets 30 billion cubic metres of Russian gas annually, strongly reduce Belarus and (particularly) Ukraine transit leverage on Gazprom exports. Referring to the new South Stream project, Putin also emphasized that: "*new routes provide security, increases stability, and create new transport capacities for new, growing deliveries of energy resources to European consumers*". However, Western public opinion finds less evident Europe's advantaged arising from this alternative transport path, and perceive only Russian attempt to challenge EU's diversification

efforts in the region.

Burgas-Alexandropoulos Oil Pipeline

In the last ten years Europe's reliance on Russian crude exports has grown from around 12 percent of total crude imports to around 29 percent in 2007. Despite this increasing business with its longstanding European partners, Russia's energy policy still has to face some logistic and technical difficulties. As stated above, disputes with transit countries (and their political follow-on) deeply influenced energy partnership between Russia and its European customers. In addition, the congested situation in Bosphorus and Dardanelles straits poses considerable difficulties to Russia's oil deliveries. Therefore, given the increasing density of maritime traffic in the enclosed Black Sea and additional quantities of oil exported from the region (nearly 150 million tons annually), Moscow considers a high strategic priority to find alternative transporting routes for its westward oil exports.

The Burgas-Alexandropoulos pipeline evidently represents a Russian effort to bypass both straits. However, considering that the pipeline will enhance also Russian ability to export Kazakhstan Caspian-drilled crude, many in Europe and in the US consider the project a Moscow's attempt to weaken the West-backed Baku-Tbilisi-Ceyhan pipeline in the geopolitical struggle to gain control over Caspian energy resources.

After 13 years of fluctuating negotiations, Greece and Bulgaria,

the two Russia's partners in the Burgas-Alexandropoulos pipeline project, signed in March 2007 the final inter-governmental agreement on the project, which will start on June 2009 and should be completed by the beginning of 2011. The carrying capacity of the 176 mile pipeline will be 700,000 barrels a day, but Moscow's plans take into account the eventuality to expand the flow to over a million barrels a day. Russia, through a unified consortium formed by Transneft, Rosneft and Gazpromneft owns 51% of the International Project Company which will be operating the pipeline. Greece and Bulgaria each own 24.5% of the company. The whole project is expected to cost up to €1 billion.

The Burgas-Alexandropoulos is only one of several projects to transport oil from the Black Sea bypassing Turkish straits emerged in the international agenda, and clearly demonstrate how rapidly and intensely is raising the level of energy competition in the region. Nonetheless, this situation validates the Russia's assumption that energy transportation in the region needed a substantial improvement. Starting from this point of view, the Burgas-Alexandropoulos pipeline might improve energy security for both the EU and Russia, without being seen as the product of the zero-sum competition between the two powers.

ALTERNATIVE MARKETS

Although Western Europe faces period of slower GDP growth, economic trends in the Balkans show an encouraging improvement for the region. For instance, Montenegro's economy is expected to grow by 7.2% by the end of the year,

while Albania's projected economic growth should reach 6%. The two countries are followed by Bulgaria and Bosnia and Herzegovina, each with a 5.5% projected economic growth, Romania with 5.4%, Macedonia with 5%, Croatia with 4.2% and finally Serbia with 4%.

As the Balkans are experimenting a remarkable economic growth, the region emerges as attractive export market for Russia's energy resources. In fact, strong economic performances and improving living standards pushed up regional growth of energy consumption nearly 4% during last year. This evolving situation forces local government to find a solution against rising risks of shortage, and paves the way to Russia's attempt to penetrate and shape regional energy markets. In view of growing Europe's efforts to develop a coherent diversification strategy from Russia's energy assets, Moscow is working to create in the Balkans a thriving to whom potentially deliver its gas and oil resources.

Taking advantage of historical of cultural ties with the region, Russia has undertaken several investments in Balkan countries' energy sectors. On the other hand, local government exploit Russian intervention to get investments and funds in order to reform domestic infrastructures and lay the foundation for an enduring and sustainable economic growth.

On 25 January 2008, Serbia and Russia signed an agreement giving 51% of its state-owned oil-refining monopoly Naftna Industrija Srbije (NIS) shares to Gazprom for US\$400 million and US\$500 in investments until 2012. With the deal, which helped Serbia to be included in the South Stream project, Russia promised to expand the Banatski Dvor underground gas storage facility from 800 million to 3 billion cubic meters, and

build Serbia's largest gas-fuelled power plant. The Russians have also pledged \$740 million in the modernization of the Serbian energy monopoly.

Moscow investments are also directed to Macedonia, where Russia will be involved in four pipeline-construction projects, including pipes encircling the capital Skopje, a pipeline running between Klechovce and Stip, and a pipeline from Skopje to Tetovo. With the agreement, reached in March 2007 during a visit to Moscow by Deputy Prime Minister Zoran Stavrevski and Economy Minister Vera Rafajlovska, Russia substantially would be able to enhance its influence into the Macedonian domestic energy sector.

There has also been significant investment by Russian companies in Montenegro since it separated from Serbia in 2006, with Russian energy giants Lukoil and Gazprom which expressed significant interest in investing in Montenegro. In Bulgaria, Lukoil owns the largest oil refinery in Bulgaria and Russian companies have begun to acquire consistent parts of the country's energy distribution network.

Considering Russia's range of exports to Europe, such markets are still much limited and do not consent the Kremlin to plan an effective diversification strategy from its Western partners. However, through this huge amount of investments in the region, Moscow could become a *quasi-monopolist* in the Balkan energy market, gaining not only economic power, but also political leverage in a region that lately showed much more political interest towards NATO and the EU than eastward.

CONCLUSIONS

Growing Russian investments in the Balkans definitely show that the Kremlin's leadership strongly considers energy cooperation in the region a key strategic issue.

On one end, Moscow's detractors argue that Russian energy interest in the Balkans is driven by political calculations, in the attempt both to create a monopoly on the distribution of natural gas to Europe and to exclude Western governments and companies to the exploitation of Caspian energy resources.

On the other hand, it is possible to sustain that Russia's behaviors in the region are also based on rational economic assumptions. Indeed, it is evident how logistic and technical difficulties reduce Moscow's ability to export favorably to Europe's markets undermining Russia's economic growth and domestic reform process.

What emerged from this study is that the Kremlin's growing attention to the Balkans as energy partner is rightly motivated and justified, both by economic and political calculations. In fact, Russia's economic sustainability and domestic stability are largely determined by its ability to maintain (or better, improve) its amounts of hydrocarbons exports. For this reason Moscow's strategies to enhance energy cooperation with Balkan countries has to be seen as attempts to provide reliable transportation routes and favorable conditions energy trade. At the same time, it is obvious that Russia acts in the region taking into account also geopolitical evaluations, but it is exaggerated to consider Moscow's plans merely an attempt to weaken and blackmail the EU and its member countries. At present, European customers are too important and bilateral

relations too entrenched to induce the Kremlin's leadership to undermine them for secondary purposes.

In conclusion, if correctly analyzed and understood, this emerging competition could help both Europe and Russia in enhancing their longstanding bilateral energy partnership, providing also an important economic boost to the Balkan countries, which could benefit from this renewed interest (and money flow) towards the region.

Endnotes:

1. Energy Information Administration, International Energy Outlook 2007, pp 39-48.
2. Vladimir Putin Speech, Vesti TV News Channel, Moscow, 25 January 2008.
3. Oil & Gas Journal
4. M. Khodorkovsky and Brunswick UBS
5. See "Too slow growth in Russian gas production", Barents Observer, 18 September 2007
<http://www.barentsobserver.com/too-slow-growth-in-russian-gas-production.4511110-28235.html>
6. Belarus, Ukraine, Germany, Poland, and other destinations in Central and Eastern Europe.
7. Data take into account only Albania, Croatia, Bosnia-Herzegovina, Macedonia, Montenegro and Serbia energy consumption.
8. Data also include supplies to Bulgaria and Romania.

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CARROT AND STICK

*The role of the prospect of EU membership as a motive
in states in transition*

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Introduction

The collapse of the Soviet Union and of communism almost all around the world beginning in the late 80's was probably the most important and dramatic geopolitical change during the course of the 20th century. It marked the end of the Cold War and the beginning of a whole new world order. Arguably the regions most affected by the process were East-Central, South-East Europe and the Baltic states. Preoccupied with their own primary problems, all their existing and newly emerging states embarked on very different paths.

The satellite states of the Soviet Union (East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria) initiated democratic and free market reforms in the coming decade,

each in its own way and pace. The reunification of East and West Germany took place in October 1990, while Czechoslovakia split up in January 1993.

The Baltic states (Estonia, Latvia, Lithuania), forcibly incorporated in the Soviet Union after the Second World War, were first busy proclaiming independence and securing their status by seeking closer ties with the West. It was well after the collapse of the Soviet Union (December 1991), that Russia formally recognised their independence and the last Russian troops left their territory in 1994. Ukraine and Belarus were able to secede from the Union at the announcement of its collapse. Of these five states, formerly part of the Union, the Baltic states pursued fast political and economic reforms, while Ukraine experienced serious economic problems, coupled with public unrest and incompetent governance, and Belarus has remained firmly authoritarian under Russian influence.

Yugoslavia, independent of the Soviet Union since 1948,¹ was among the most advanced states of the Eastern bloc. However, after the death of its charismatic leader, Josip Broz Tito, in 1980, the country lost impetus, and ethnic cleavages, blurred under the united "Yugoslav identity" whose promotion was heavily supported by the state, emerged violently. Throughout the 90's the Socialist Federal Republic of Yugoslavia broke up into its constituent republics and many wars ravaged the region. Though visible progress has been

made in the next decade, the region's stability is still extremely fragile.

Such fast and dramatic changes and the mere diversity of emerging problems, national sentiments, political and economic hardships make the situation almost incomprehensible, and the most important question nearly fades in the vibrating course of events: "why?" Why has all this happened? What was the motivation of moving ever closer to democracy and free market economy? Books and articles published in this field could fill libraries, so this short essay will only concern one aspect.

In this paper, I will consider the post-communist development of the states of East-Central Europe² and the emergence of the republics of former Yugoslavia. The primary scope of this analysis is to determine the role of the promise of EU membership in the transitional period as a motive for democratic reforms, and the changes once membership has been granted to these countries.

In the first part of the paper, I will set the historical context by briefly explaining the post-communist transition process in ECE and the Yugoslav wars. Then in the second part I will give a brief presentation about the EU's role in the processes, its programs and actions. Thirdly, I will consider the events in ECE after accession to EU and in the fourth part I will talk about the consolidation process in the Western Balkans

and its prospects for the future. Finally, I will draw a conclusion and give suggestions for EU policy in these two regions.

1. Historical Background

The transition from communist-type one-party state with centrally planned economy to democratic political environment with free markets was a painful process throughout ECE. Though negotiations with emerging and revived political parties and elections went smoothly and former ruling parties gave up power mostly peacefully, building trustworthy institutions, independent judiciary and police required immense effort and time to consolidate. But dealing with the communist past proved to be the most difficult and sensitive issue.

In the case of the economy, the task of freshly elected governments was even more daunting. Price controls needed to be abolished, subsidies to inefficient and underperforming sectors suspended, state-owned companies and assets privatised or shut down, social benefits and public spending slashed. All these measures led to serious economic downturn due to the contraction of domestic supply (factories closed, companies gone bankrupt) and demand (rising unemployment, declining state expenditure), coupled with high inflation as prices so far kept artificially low began to adjust. On top of all

these problems, every state of the region was facing a huge debt mostly accumulated in the '80s to prolong the survival of the communist regimes, and the world economy experienced a general downturn for some years in the early '90s.

Controversially, ECE has never received foreign aid comparable in measure to the Marshall plan or to the programs launched in the '70s to help the democratic transition in the Mediterranean countries after the fall of autocratic regimes. In fact, both of these projects were aimed to ensure that the fragile states would not turn to the socialist way. Such a threat was improbable in ECE in the '80s. The states on their way to democracy had to bear the high social cost of exposing citizens (who were comfortably dependent on the state before) to a competitive market. They also needed to cope with the high economic cost of structural reforms and of financing huge debt, in a time of the emergence of macroeconomic problems so far artificially suppressed. Moreover, there was no blueprint for transition from socialism, no precedent in world history, no experience on which to build. Such a situation left little room for action to policy-makers, who were usually to lose political capital either way: as a consequence of the painful reforms or of the lack of them.

With the exception of East Germany, whose debt and costs of transition were financed by the Federal Treasury after reunification, ECE politicians faced a dilemma between two

distinct ways of economic transition. Followers of the 'big bang' approach called for fast and immediate liberalisation, even if accompanied with a sharp drop in domestic wages. It was first employed in Poland by Leszek Balcerowicz (finance minister and later head of the central bank), who was well aware of his highly indebted country's desperate need of foreign aid, and argued that only a credible liberalisation policy would ensure the trust and benevolence of the West. Therefore, his policy was built upon anticipating foreign help in return for Poland's struggles with fast transition, while urgency was essential to introduce the most painful measures in an extremely enthusiastic post-communist public attitude and thus dampening social discontent. A similar strategy was pursued by the finance (and later prime) minister of the Czech Republic, Václav Klaus, a self-proclaimed Thatcherist. On the other hand, in some countries reforms were introduced gradually, giving enough adjustment time (like in Hungary), while in Slovakia, Romania and Ukraine, nationalist and paranoid rhetoric blinded the public and postponed economic reforms for a long time.

The usually liberal or centre-right alliances experienced a disillusion in their policies shortly after the euphoric overthrow of communism, and were mostly beaten at the next general election by the parties of the former communists, now mostly advocating nationalist sentiments and a promise of smooth transition. However, the highly

questionable nature of the privatisation process and the mark on the social body, and its effects pose ever greater problems nowadays. This topic will be looked at in more details in the fourth part of the paper.

Yugoslavia was the only country where communism was introduced by a purely domestic initiative, the partisan movement. In almost every other country the communist party swung into power by force assisted by the Soviet Union, or by the threatening presence of the Red Army, which remained in the states liberated from Axis powers until the 90's, long after the end of the Second World War. This meant that the communist elite was bound to the Soviet sphere of influence and to the will of Moscow. On the contrary, under the charismatic leadership of Tito, Yugoslavia established good relations with the West (Tito was the first communist leader to meet an American president) and was a founding member of the non-aligned movement. Yugoslavia had benefited from the generalised system of trade preferences since 1974 and signed a trade and co-operation agreement with the European Community (EC) in 1980.

However, the economic problems of the '70s and '80s, which undermined authority in every communist state, affected Yugoslavia even more gravely. Instead of borrowing more and more to pay previous interest, as Poland and Hungary did,

Belgrade printed ever more money, thus inducing hyper-inflation. The situation was exacerbated by the striking differences in economic conditions in the different regions of the federal state. The more prosperous republics, namely Slovenia and Croatia, became aware of the potential benefits of making their own economic decisions, free of the mismanagement and corruption of the federal capital. Additionally, what they feared even more was the apparent Serb intention to take more power inside the federation.

Tito, unable to pave the way for a successor, wanted to preserve the multi-ethnic federation after his death by devolving power from the centre to constituent republics, a framework laid down in the 1974 constitution. However, after his death the political vacuum in the centre encouraged rivalry between the republics, each endowed with different resources and thus having different interests. Slobodan Milošević, leader of the League of Communists in Serbia since 1987 and President of the Republic of Serbia since 1989, aggressively sought more power for his republic, the largest in the federation, and his use of force as a legitimate means to achieve it speeded up and drove the process of dissolution of Yugoslavia into a violent crash between the nations of the Western Balkans.

Being a patchwork of interwoven ethnicities, religions and languages, the Balkans was the place of bloody conflicts

for centuries, but under communist rule, which successfully promoted a united Yugoslav identity and repressed religion, the region experienced a rare period of tolerance and peace. But as the belief of the ideological supremacy of communism was waning fast under Gorbachev, patriotism offered a chance to discredited ruling parties to secure their grip on power. Nationalism had been invoked previously by many communist leaders in times of need (such as in Romania, Bulgaria, Czechoslovakia and East Germany), as the two ideologies are similar: built on an impersonal force (nation or class), to which extreme loyalty and against whose enemies extreme hatred is expected and exercised. Although the usability of the "ethnic card" was limited in the more homogeneous countries of ECE (due to the Versailles Treaty, ethnic cleansing during the Second World War and expatriation thereafter), Yugoslavia proved to be a fertile ground for the seeds of nationalist ideology (in Croatia, Franjo Tudjman became President of the Republic in May 1990 leading a new nationalist party). Finally, patriotism proved to be an important and dangerous tool for communist leaders in South-East Europe³ to remain in power by shifting attention from the need for change and thus delaying the transition to democracy and the sensitive process of coming to terms with the communist past.

In the beginning of 1991, Slovenia, Croatia and Macedonia declared independence from the federation. Following a few

weeks' fight against the "Yugoslav" (in fact, Serbian and Montenegrin) army, Slovenia was able to keep out of the federation and the battleground for good. A more violent war was fought between Croatia and its rebellious Serb minority, which resulted in a UN-brokered cease-fire in early 1992. Bosnia, ruled by a Croat-Muslim majority, declared independence in March 1992, which triggered an immediate armed response from Serbia. Later a separate war broke out between the Croats and Muslims of Bosnia in January 1993. Even after witnessing several years of looting, ravaging and ethnic cleansing on each side⁴, the UN and the Western powers proved unable to react in a decisive way. It was as late as September 1995 when NATO finally decided to intervene, and in a month a cease-fire was announced, and a peace agreement (negotiated in Dayton, Ohio) was signed on 14 December 1995 in Paris. War broke out anew in Kosovo⁵, and NATO (without formal UN approval) intervened in March 1999 to stop the repression and expulsion of Kosovar Albanians. Following military defeat on all fronts and public disillusion for his nationalist demagoguery, Milošević was defeated by Vojislav Koštunica in the Yugoslav presidential elections of September 2000, and was arrested and handed over to the International Criminal Tribunal for the former Yugoslavia (ICTY, established in May 1993) in the Hague six months later.

Importantly, we need to note that even in the poorer regions

of Yugoslavia, ethnic heterogeneity did not necessarily mean violent clashes after secession from the federation. In Macedonia, which became independent in 1992, ethnic tensions between the Slav majority and the Albanian minority were kept in check under the pragmatic policies of President Kiro Gligorov, who ruled with moderate Albanian parties until 1998.

2. EU policies

The relatively passive stance of the EC towards Central and Eastern Europe⁶ in the first years of transition is highly understandable and should not come as a surprise. Firstly, in SEE, Ukraine and Belarus there was hardly any sign of change apart from the shifting of state rhetoric to nationalist demagogy. In the two other regions, with the apparent weakening of the Soviet grip there was no immediate threat that communist rule would be forcibly reintroduced in any of the fragile democratising states, as happened in Budapest in 1956 or in Prague in 1968. Moreover, it was widely believed that with the general fall of communism there was no other alternative in formerly communist states but to embrace democracy sooner or later, thus Western powers felt they had nothing to do but to wait. This was a comfortable justification for idleness, even more so as every state of Western Europe were struggling with its own economic problems.

Unemployment jumped high during the disinflationary project of the '80s and a general recession was looming over the world economy in these days. Germany, the strongest economy of Europe, was in the best shape, but after reunification it was busy paying the debts of East Germany and transferring huge sums for the integration of this relatively deprived area. Triggered by the Bundesbank's response to these events (raising interest rates sharply to keep inflation at bay, which had devastating effects on other European countries reliant on the Deutschemerk), the situation was aggravated by the currency crisis of 1992-93 which practically marked the end of the European Monetary System (though it remained in place until 1998). To sum up, Western states had neither the incentive nor the means to greatly assist in the transition of CEE countries. But most of all, the robustness and intensity with which the former East Bloc brought itself down left the West, used to the simple bipolar world of the Cold War, baffled and indecisive. "When we started, we did not understand the depth of the problems we faced." said Mikhail Gorbachev in 1990, and truly no-one could have ever imagined such an avalanche. With so many events to worry about, so many regions to help and so many opportunities to take the EC decided to stay put until the tide ebbed a bit. At this time, even the future of the Soviet Union was uncertain, and excessive activity of the EC in its "near abroad" still seemed to be a risky

venture. It waited until it became clear where it was worth taking part, in which states the transition was successful enough and when the global economic outlook would improve. Anticipating that it was CEE countries' only choice and in their best interest to adopt democracy, liberalise markets and establish good relations with the EC sooner or later, the EC felt at ease and waited to reap the benefits when some states were ready. This approach worked for much of ECE, but proved insufficient in the Western Balkans.

Instead of taking active part in the transition, the EC set incentives (carrot) and punitive measures (stick) for transitory states to guide their way indirectly to democracy and to closer integration. The strategy of the EC was based on three fundamental principles. Conditionality meant that for closer co-operation with the EC, states needed to comply with certain criteria. Those who introduced democratic institutions and economic liberalisation more quickly were granted more aid, closer political relations and wider access to the EC market (the carrot). Non-compliance with the rules, on the other hand, meant a reversal of previous benefits or even sanctions (the stick). The actual conditions with respect to enlargement were later codified in the Copenhagen European Council in June 1993: stable democratic institutions, rule of law, respect for human rights (minority rights in particular) and functioning market economy. Secondly, the practice of initiating aid and

trade projects tailor-made to a country in order to address its specific needs was titled the principle of differentiation. Lastly, compartmentalisation was never officially claimed as a principle of the EC strategy but was a direct consequence of its better bargaining position and of the previous two principles. The EC chose not to negotiate with CEE countries on a 'bloc to bloc' basis, but to group them into waves according to their degree of compliance with the rules set out by the conditionality principle, generally preferring bilateral talks (Papadimitriou 2001:71-72).

The EC/EU adopted two markedly different approaches towards CEE: stabilisation and integration (Missiroli 2004:12). The stabilisation approach was prominent in the first stage of transition, which reflected the EC/EU's above mentioned passive and observant stance by advising regional co-operation but in fact promising very little in terms of assistance. This strategy proved to be more efficient in ECE, where the idea of regional co-operation was more feasible, as these countries had mostly settled their disputes in the first half of the century, had become accustomed to the status quo and politicians had more limited usability of the 'ethnic card'. And most importantly, ECE states anticipated that compliance with the (mostly alleged) expectations of the EC/EU would ensure its generosity.

Hungary and Poland were the first to sign trade and

co-operation agreements with the EC, which launched the PHARE program of financial support in September 1989 initially for these two countries, but it was later extended to many other CEE states. In late 1992 the Visegrád Group signed the Central European Free Trade Agreement to show their commitment to regional integration and as a prelude to freer access to the European market. At the beginning of 1993, the first programme of stabilisation in ECE and the Baltic states was launched by French Prime Minister Edouard Balladur, and culminated at the signing of a Stability Pact in March 1995 in Paris. For many years, there was no clear reference to full membership on the side of the EC/EU. It was in June 1993, at the Copenhagen Summit, that the EU finally declared that the membership of CEE states is a mutual objective. In December 1994, the Essen Summit laid a pre-accession strategy for CEE and replaced the PHARE's objective of supporting transformation with that of preparing accession. Fast-track accession negotiations for the first wave (Czech Republic, Hungary, Poland, Estonia and Slovenia) started on 12 March 1998 in London. It was the Commission's *avis* of July 1997 that decided that Estonia and Slovenia, which applied later for full EU membership, be included and more slowly performing countries (Slovakia, Romania, Bulgaria, Latvia, Lithuania) be left to a second round. The Treaty of Amsterdam, signed in 1997, largely failed to address the urging technical questions related to enlargement, which were later mostly sorted out in the Treaty of Nice in 2001. Finally, the Visegrád Group, the Baltic states and Slovenia became full EU members on 1 May 2004 along with Malta and Cyprus, and Romania and Bulgaria followed suite on 1 January 2007.

However, the stabilisation approach utterly failed in the Western Balkans and it took almost a decade and five wars for Western Europe to understand the need for a more activist policy. The first programme aiming at stabilisation, the Royaumont Process, was announced in December 1995 in Paris. It only promoted dialogue and understanding, falling short of addressing issues of importance, such as minorities and borders, and failed to present a worthy incentive for the republics of former Yugoslavia to undertake reforms. Later, the Regional Approach for the Balkans (intended for Croatia, Bosnia-Herzegovina, Macedonia and Former Republic of Yugoslavia), launched by the General Affairs Council in February 1996, was intended as a supplement for the Dayton Peace Agreement. It reflected the EU's intention to play a more important role in strengthening regional co-operation, but was still far from promising European integration. The main goal was still the establishment of 'stability and good neighbourliness' in the region, as in the Royaumont Process. Also, within this framework, regular meetings between regional and EU leaders were scheduled under the initiative of the

Political Dialogue. But the Regional Approach, amended by the South-Eastern Europe was initiated on 10 June 1999 in General Affairs Council's clarification of the concept of Cologne and its implementation was vested in the Organization conditionality on 29 April 1997, was an important milestone on for Security and Co-operation in Europe (OSCE). The shift in the EU's path of changing attitudes towards the Western policy in favour of the integration approach meant that the EU Balkans, as it explicitly included some of the elements of the was prepared for closer integration and opened the possibility 'carrot and stick' strategy. It set general conditions for all of full membership. The new concept was later confirmed by participating countries, and special requirements tailored to the European Council at its meetings in Lisbon and Santa Maria each state (notably to those under obligations of the Peace de Feira in March and June 2000. Once a state met the criteria Agreement). Depending on the degree of compliance with the of the Stabilisation and Association Process, the state would be economic and political criteria, states were offered 'carrots' in offered a Stability and Association Agreement and status of reward. The lowest level meant trade concessions through the official candidate. Moreover, the EU promised to actively assist system of autonomous trade preferences of the EU. The the state's integration into the EU. Additionally, the CARDS second pier was financial and economic assistance through the programme was also a great improvement over the previous extended PHARE and the OBNOVA projects (the latter was projects of financial support. It relied less on negative launched directly for the republics of former Yugoslavia in July (punitive) measures, and instead actively supported the 1996, and both were replaced by the CARDS programme in creation of a good institutional framework. Also, it favoured a December 2000). Lastly, the best-performing states were to be more direct and decentralised form of co-operation by broadly offered the establishment of contractual relations, namely extending the eligibility for support. Additionally, the European trade and co-operation agreements. Agency for Reconstruction was dedicated in 2000 to the local

administration of EU assistance in Kosovo, and later extended to Serbia and Montenegro and Macedonia. Finally, it seems that the shift in EU's policy from stabilisation to integration has proved to be insufficient to prevent the crisis of Kosovo in 1999. The second NATO intervention in the region definitely marked the end of the EU's civilian efforts of stabilisation and been successful. The Thessaloniki Summit in 2003 initiated the forced it to place its attitude towards the Balkans on a EU-Western Balkans Forum and named the Western Balkans as fundamentally different basis. The consequent Stability Pact for the priority of EU expansion.

3. Post-Accession Backlash in ECE

Preparing the country for NATO and EU membership was a common goal for the leading parties in ECE states. Despite many disagreements over the means of achieving this goal and many differing interests, politicians were mostly capable of showing an image of national unity and of mutual commitment to democratic values to the outside world. However, this effort to win the favour of the EU quickly vanished once membership had been granted. As strict conditionality no longer applied and benefits from EU could be taken for granted, there was little incentive left for politicians to behave according to the democratic code. And while the cost of non-compliance fell, they experienced a rise in the benefits of illiberal populist rhetoric.

There is ample evidence to support this observation. The right-wing Law and Justice Party formed a minority government in Poland after the 2005 elections, and formed a majority government next year in coalition with the provincial far-left Self Defence Party and the xenophobic far-right League of Polish Families, having the Kaczyński twin brothers as president and prime minister. The government became increasingly authoritarian, basing its policies on a conspiracy theory stating that former communists stole the Poles' transformation to democracy and continue to suffocate their development through corruption and the deterioration of public

moral. In order to 'cleanse' the political life of these elements, a highly controversial lustration law was passed in 2006, practically allowing the Kaczyński brothers to use the archive of the former secret police to oust political rivals. After many embarrassing statements on the international political scene (most notably President Lech Kaczyński's reference to the Nazi atrocities in Poland during the Second World War), internal general disillusion with a government violating human rights and ruptures inside the ruling coalition, a general election was called in October 2007, ending with the victory of the centre-right Civic Platform.

While this is the finest example of the rise of the politics of resentment, the performance of populists in other ECE states is also remarkable. In Slovakia, a coalition of the centre-left Smer (Direction-Social Democracy), the centre-right Movement for Democratic Slovakia and the radical-nationalist Slovak National Party was formed after the general elections of 2006. Such a monstrous alliance could not be imagined in the years of negotiations with the EU over accession. The Czech Republic was paralysed from June 2006, when the two leading coalitions achieved the exact same number of seats at the elections, until early 2007, when a government was finally formed. Hungary experienced grave civil unrest, when the Hungarian Socialist Party remained in power in 2006 (when, along with the rival right-wing Federation of Young Democrats,

both leading parties made irresponsible economic promises) comfortably provided for by the state earlier. Moreover, during and embarked on an ambitious reform programme of fiscal communist times, there was always the opportunity to be tightening contrary to the election manifesto, and a outspoken supporter of the system or part of the silent compromising tape recording of a speech by the prime minister resistance. The bipolar world order offered a simple and became public. Since then, tensions have remained high and understandable framework on which to rely on, while the undemocratic threats of reprisal from the opposition are liberal democracy succeeding it seemed hollow and empty at common and continue to gain public support. Romania has best with its relativistic approach to values and opinions, often received serious criticism from the EU due to the rise of heard of as chaotic, anarchic and fundamentally corrupt. corruption in handling EU funds, not to mention the heated Marginalised, uncertain and deprived of their identity, many clashes in 2007 between its president, Traian Băsescu, and the losers of the transition have found refuge in the order-prime minister, Călin Popescu-Tăriceanu. The EU even imposed obsessed, ultranationalist, militarist and anti-liberal political sanctions against Bulgaria due to the mismanagement of forces.

funds.

Another alarming phenomenon in the region is the emergence of extreme-right paramilitary groups. Though the observations above are numerous. Successive Nations in ultranationalist parties have been gaining ground in more Transit reports of Freedom House all point to the rising populist appeal and to the general worsening (or stagnation at best) of consolidated democracies as well (e.g. Switzerland, Austria, democracy score in the region (except for Slovenia). Italy, France, Belgium), and some even formed a political Surprisingly however, they also find that people tend to favour group in the European Parliament, called Identity, Tradition, democracy all the same, only their level of trust in public Sovereignty in 2007, the extreme-right movements in ECE institutions is on a free fall, a finding confirmed by the New states are not part of an international trend of blaming Democracy Barometer in 2005; but this is in line with Jacques Rupnik's comment that the movements in question are not anti immigrants for crime, but rather a home-grown product -democratic, but anti-liberal (Rupnik 2007:30). On the other breeding on domestic social cleavages. The abrupt structural hand, the Eurobarometer survey, carried out in 2006, found reform of the economic system undoubtedly meant an immense rise of uncertainty in people's lives who were that while people in ECE are usually pro-democratic, 42% of

the population say it does not matter whether a system is democratic or undemocratic and about every second person believes that undemocratic measures are preferable in some cases. Moreover, the Voice of People of 2006 concluded that ECE is the region whose population is the most sceptical about the merits of democracy.

Finally, in the last two decades, ECE has successfully undergone a major transformation in every sense. But the consolidation of democratic and civic culture takes a lot longer. The "habits of the heart", as Tocqueville called it, change very slowly. Therefore the political polarisation, the diminishing trend in consensus and tolerance and the rise of opportunism and populism is not the failure of democracy, but the surfacing of problems rooted deep in the society. So far artificially kept in check by politicians to fulfil the EU's expectations, there is no longer any limit to abstain from anti-liberal rhetoric to gain public support. We just see now the domestic political culture in its true colours: the raw, unpolished and brutal work carved during the years of transition.

4. Outlook of SEE

The Stability Pact for South-Eastern Europe proved to be an enormous success. Macedonia, a reliable and relatively stable EU partner in the region, was the first to sign a SAA on 9 April 2001, and Croatia followed suite on 29 October in the

same year. Since then, SAAs were signed for every state in recent years (with the exception of Kosovo, which constitutes a special case as a partially recognised breakaway province), but were not ratified by every member state of the European Union, and they are thus technically not in force.

Although obviously only part of the recent progress in the region can be attributed to EU policies, the promise of integration in the "European club" was one of the main driving forces. Most of the time, even anticipating negative measures from the EU in response to a certain policy is enough to steer the country in the right direction (Pippan 2004:239-241). For example, following an uprising of Albanian extremists in the north of Macedonia in 2001, the government may not have had such an active role in pacification (forming a government of national unity and signing a framework agreement by the main political parties), had not the prospect of signing an SAA been so close. Also, in November 2002 the European Parliament advised the Commission to suspend financial assistance to countries which fail to co-operate fully with the ICTY. Consequently, in May 2003, Croatia posted a financial reward for information leading to the arrest of General Ante Gotovina (who was captured in December 2005) and in June 2003, Serbia transferred Jovica Stanišić and Franko Simatović (leaders of the Serbian State Security Service) to the Hague. Recently, the signing of the SAA for Serbia was the impetus for

the arrest of Radovan Karadžić (President of Republika Srpska) on 18 July 2008, but General Ratko Mladić (responsible for the Srebrenica massacre) needs to be captured as well to achieve full ratification so that the agreement can be brought into effect.⁷

However, inconsistent EU policies and unfounded promises can lead to general disillusion. As Turkey seems to be losing faith in ever being able to join the EU, countries of the Western Balkans, if not treated on fair terms, can quickly turn away from the present path of progress.

From the beginning, the EC/EU's incoherent and irrational actions towards a falling Yugoslavia undoubtedly intensified tensions in an already hostile atmosphere. When quick and decisive intervention was the most favourable, notably during brutal massacres in Bosnia and Kosovo, it stayed idle as it was unable to incorporate wildly differing national interests into a consistent agenda. In other cases, when prudence and consideration were required, it could not prevent its member states from performing rush actions which suited best their national foreign policy needs, as in the case of the hasty German recognition of independence of Slovenia and Croatia. Following its inability to settle the crisis in the Balkans, it needed to accept the humiliation of NATO intervention twice and the increasing role of the UN as the ultimate source of support in the region. The incompetence of the EC/EU to act in

concert in time of need greatly undermined its credibility and prestige as an international actor.

The EU has a long history of inability to subordinate the national agendas of its member states to an EU-led foreign policy (Papadimitriou 2001:81-85). In February 1994, when Greece imposed a trade embargo on Macedonia as a part of the name dispute, the EU was in a difficult situation. It praised Macedonia for moderate government, but was unable to stop unilateral actions of its own member state. It was only in September 1995 that an agreement was reached.⁸

Moreover, the EU's foreign policies are extremely sublime and depend greatly on external factors. In August 1990, for example, the Commission excluded Romania and Bulgaria from association talks, only to propose the opening of negotiations in September 1991. The Commission later acknowledged that the sharp change had been mainly due to the events in the USSR (the August coup) and the escalation of war in Krajina. Similarly, these two states were not included in fast-track negotiations in July 1997, but the EU opted for an all-inclusive process in 1999 (as a reward for their support of NATO's bombing of FRY), and later again delayed their accession to 2007. Also, the pre-accession strategy of the Essen Summit was not triggered by an immense advance in the reform process in CEE, but rather by the changing geopolitical situation (the collapse of the Vance-Owen peace

plan in May 1993 and the NATO ultimatum to Bosnian Serbs already spreading on a wide social basis (Papadimitriou following the Sarajevo square bombing in February 1994). 2001:85). In a region where the notion of permanent losers is Recently, on 9 September 2008, the EU failed to offer the prospect of EU membership to Ukraine, though it was generally expected at that summit. However, it was not surprising as after the August war in Georgia the EU became more cautious in Russia's "near abroad". Bearing in mind the political turmoil in Ukraine these days, it would have been favourable to assure its leaders of the support of the EU, even in the face of a threatening Russia. But the differing interest of the member states (mostly their differing reliance on Russian gas) did not allow for a strong and unified voice against Russia's bullying.

The EU can promise much in times it sees fit, but sometimes fails to deliver in the end. Just to name the misleading SAAs: Macedonia is expected to join the EU within ten, and Croatia within six years after the entry into force of the agreement (1 April 2004 and 1 February 2005, respectively). These dates seem highly unlikely in the current state of the EU, most notably because of the rejection of the Lisbon Treaty in the Irish referendum on 12 June 2008, which would have lifted the limit of 27 member states set out in the Treaty of Nice.

Promising too much or too little are equally destructive. All these inconsistencies in the EU's foreign policy made it look like a gambler, and fed the 'underdog culture'

historically strong (stemming from almost five centuries of Turkish occupation), the image of an EU, believing itself morally superior, dictating terms is not a good omen. But the most damaging problem was the lack of clarity towards future membership. With a clear concept of reward, exclusion from fast-track negotiations according to the principle of compartmentalisation would have been also seemed unjust, but more tolerable. Inconsistent EU policies lead to the loss of credibility (which is extremely hard to rebuild), and to the strengthening of radically nationalist parties, who can easily exploit the people's hidden siege mentality in the Balkans (as the state media built an image of global conspiracy when the UN voted to impose trade sanctions in Serbia in May 1992).

Conclusion

Fortunately, the situation of the Western Balkans has significantly improved lately partly because the EU has realised the potential in the promise of membership. However, it needs prudent implementation of its promises to regain credibility and to avoid disappointment. Any uncertainty, delay or reluctance would swell the social basis of radicals as it would question the very essence of the recent years' hard struggle in transforming the region. However, the EU should neither take enlargement

in the Balkans too easily. Based on the experience of backlash in CEE after joining EU, the possible outcome of premature accession of such an even more fragile democratic culture is shocking to imagine.

In fact, the source of all these problems is the unjustifiable difference between the ways the EU regards and accepts its own member states' democratic performance and that of the states which wish to join it. While the countries which need to fulfil criteria set out by the EU can be easily punished or imposed sanctions on, member states face virtually no credible conditionality towards the EU. According to Article 7 of the Treaty of the European Union (Maastricht, 1992), amended by the Treaty of Nice (2001), punitive measures against member states violating fundamental values are restricted to cases of serious and persistent breaches, and can only be imposed after a long administrative cycle. However, we need to note that even if a harsh punishment towards member states is in force in case of infringement, it usually cannot be deemed credible. This happened in 2003, when France and Germany ran a budget deficit well over 3% of GDP, the maximum allowed according to the Stability and Growth Pact, and still did not need to face the excessive deficit procedure, which would have included a fine of not less than 0.5% of GDP. Instead, the Pact was revised in 2005 to allow high budget deficit in "exceptional circumstances". Although

differing criteria can be in itself an incentive to candidates (so they expect better treatment once they join), its costs far outweigh its benefits as presented above.

In conclusion, the main objective of this paper is to highlight the urging need for clear, credible and universal EU conditionality towards both its member states and its potential/official candidates. This would place a continuous pressure on politicians of member states to keep democratic values in mind and would thus avoid post-accession backlash. On the other hand, candidates would feel partners treated on fair terms and not subordinates, which would allow them to shape sustainable plans for the future and to overcome the destructive feelings of exclusion. All-inclusive and credibly enforced conditionality would improve relations and democratic culture both inside and outside the EU, as member states would face again an incentive to pursue consensus, while candidates would know that their struggles to embrace democracy are not in vain.

Endnotes:

1. The Kingdom of Yugoslavia was occupied by the Axis powers in 1941, and was liberated by the Communist Yugoslav Partisans under the command of Tito between 1943-45. As the Red Army did not set foot on Yugoslav soil, Tito enjoyed wide independence from Stalin. After many clashes between the two leaders, Stalin eventually expelled Yugoslavia from the Cominform in 1948, after Tito refused to merge with Bulgaria.
2. ECE, by which I mean Poland, Czech Republic, Slovakia, Hungary
3. SEE, by which I mean the former republics of Yugoslavia, Romania, Bulgaria, Albania
4. Though it could mostly be credited to Serbs, to mention Srebrenica as the most notorious massacre
5. A formerly autonomous province of Yugoslavia within Serbia along with Vojvodina, until Milošević deprived them of autonomy in 1989
6. CEE, by which I mean ECE, SEE, the Baltic states, Ukraine and Belarus
7. SAA for Serbia was signed on 29 April 2008, ratified by Serbia on 9 September, but the Netherlands blocked its implementation on 15 September, demanding full co-operation with the Hague
8. Greece does not accept Macedonia as the name of its neighbouring republic, as it refers to an ancient kingdom in the North-East of historical Greece, while Macedonians belong to the Slavic ethnic group. However, the population of the Greek province called Macedonia are also mainly of Slavic origin. For

this reason, Macedonia could only be accepted under the name of Former Yugoslav Republic of Macedonia (FYROM) to most international platforms

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OPEN SKIES AGREEMENT BETWEEN CHINA AND EUROPEAN UNION

Summer 2008

I) Introduction

The first EU-China Summit was held on 29th June to 1st July 2005 in Beijing which in fact started the dialogue of aviation agreement between China and EU. The signing of the joint declaration, *EU-China Cooperation in Civil Aviation*, opened a new scene of the cooperation between two parties. Although the summit did not bring any practical development of aviation cooperation between two bodies, the significance of setting up a regular aviation dialogue mechanism and showing common interests in the area can be regarded as the milestone of the cooperation.

The European Union has one of the largest and most deregulated domestic aviation markets in the world. China, being the biggest developing country in the world, has the regulated and central planned aviation market with the highest growth rate in the world. The contacts between EU and China

is growing rapidly in recent years. After the enlargement of EU and China's accession to WTO, EU has been the biggest business partner of China, while China ranked No.2 among business partners of EU. However, despite the success of business interactions between two parties, the aviation market is still regulated. The bilateral aviation agreements between China and individual EU member states are far from satisfaction of EU. The European Commission supports the elimination of all commercial restrictions on EU-China aviation competition and investment. The final goal is to create a single open market including the provision of air transport services not only between, but also within, Europe and China that could be called an EU-China "Open Aviation Area".

The paper is to explore the background and reason of setting up the open aviation area, introduce the current situation of aviation industries in EU and China, and also to analyze the obstacles and problems of forming the open skies agreement between EU and China from various aspects based on the principles of equality and mutual beneficiary. The EU-US open skies agreement will be mentioned as a benchmark as well as a reference.

II) Open Skies Agreement

Legal Aspect

Introduction

The domestic aviation market of EU and China are quite different, EU has a

consolidated aviation market while the market in China is still central planned and regulated.

The Single European Aviation Market was created in three successive stages, with first package of liberalization measures being adopted in 1987 and completed by the "third package" of measures adopted in 1992. The third package gradually introduced freedom to provide air transport services within the EU and in 1997 led to the freedom to provide cabotage. (The "third package" consists of the Council Regulation No 2407/92 on licensing of air carriers, the Council Regulation No 2408/92 on access for Community air carriers to intra-Community air routes and Council Regulation No 2409/92 on fares and rates for air services.) All the commercial controls on aviation services and investment have been removed within 15 EU member states, as well as Iceland and Norway (members of the European Economic Area) and Switzerland who has signed a separate agreement with the EU. Market access is completely open, airlines from member states can operate with full traffic rights and no capacity restrictions on any route within the European Union. This includes cabotage routes within the individual EU countries. Most important, the right of

establishment allows EU nationals or companies from any member state to buy or set up an airline in any other member state. After EU's enlargement to 25 countries in 2004, the creation of European Common Aviation Area (ECAA) has been accomplished.

Regarding to the situation in China, since the operation of civil aviation in 1960s, the aviation market in China has remained its regulated and central planned characteristics for ages. All the airline companies, airports, and infrastructures belong to the respective central, provincial or local governments, the administrative managers of the companies will be assigned by the respective governments or authorities. According to the Aviation Law of China, the financial restrictions in aviation industry still exist.

Bilateral Aviation Agreement

Since the signing of bilateral aviation agreement with France in 1966, China has signed bilateral aviation agreements with 22 out of 25 member states of EU, deregulating international travel between the China and respective European countries to a certain extent. All the bilateral agreements between China and these states favor the

particular countries at the same time restrict competitions.

With references to EU laws and Chinese Aviation Laws and Regulations as well as the report of the Brattle Group, the bilateral agreements between China and EU member states include following restrictions:

Nationality clause: agreements allow a state to reject a foreign designated air carrier if the carrier is not "substantially owned and effectively controlled" by the designating State or its nationals. The effect of this clause is to limit cross-border investment and competition.

Limits on foreign ownership and control: In China the airline must have Chinese ownership and control, similarly EU law prohibits non-EU stakeholders from owning a majority of an EU carrier or having the possibility of exercising decisive influence over an EU carrier. With this clause, the flowing of capital in aviation industry is impossible between China and EU members.

No right of establishment: A right of establishment allows an airline or other investor from one country to establish an

airline in another country, either by acquiring an existing carrier or starting up a new one. The existing aviation agreements and Chinese laws do not provide a right of establishment.

No stand-alone or consecutive cabotage: An airline from one country cannot carry domestic traffic between two points within the territory of the other country, not even in the course of providing international service. With such limits, the mobility of airplanes can not be achieved.

No passenger seventh freedom rights: Passenger carrier from one country is not allowed to offer stand-alone service between two foreign countries, neither of which is its home country. This clause restricts the flexibility of the customers.

No wet leasing: Chinese carriers can lease out Chinese aircraft and crew to foreign carriers, but are prohibited from leasing in foreign aircraft and crew. In the EU leasing-in of third-country aircraft is limited to temporary needs and exceptional circumstances. Chinese carriers now have some leasing-in from countries like South Korea, Japan, Malaysia now, but not from European countries.

Fly China requirements: All Chinese government only from their own country. This restriction limits competition commercial air transport must take place on Chinese airlines if between EU airlines in the EU-China market, it also prevents available. This includes the transport of Chinese government European airlines from exploiting the entire EU market. The personnel and cargo, although on international flights they can current bilateral system leads to an artificial proliferation of be transported by foreign code-share partners. If it exists the hubs or mini-hubs in Europe to serve the EU-China market. availability to take Chinese carriers, the personnel and cargo The bilateral agreements are barriers to EU consolidation, as should be shipped by Chinese carrier. cross-border mergers of airlines in Europe are largely precluded by the nationality clause, which limits the exercise of air traffic rights to national airlines.

Limits on frequency, leaving ports and destinations. The frequency of the flights, leaving cities and landing cities are all regulated. Foreign carriers can only operate the routes to certain airports in China after the approval by the authorities. So do Chinese carriers. This is the obvious way to protect the welfare of carriers to be profitable through running the airlines between China and EU.

The effects of current bilateral agreements:

The biggest effect is in the internal EU market, where barriers to consolidation and competition impede liberalisation and contribute to an artificially fragmented aviation sector. While Chinese carriers can fly from different airports in China to several airports in the EU, European carriers can fly to China

The "Open Skies" court cases and the ruling of the European Court of Justice

Since the beginning of 1990s the Commission has tried to get from the Council a mandate for negotiating an air transport agreement with the US in order to replace bilateral agreements concluded previously. When the US signed "open skies" agreements with a number of member states from 1995 the Commission brought actions against seven member states, which had open skies agreements as well as against the United Kingdom regarding its Bermuda 2 agreement. The Commission alleged that they have infringed the external competence of

the Community in concluding such agreements and infringed the provisions of the EC Treaty concerning the right of establishment.

The ECJ gave its ruling on 5th November 2002. (Cases C-466/98, C-467/98, C-468/98, C-469/98, C-471/98, C-472/98, C-475/98, C-476/98 against the United Kingdom, Denmark, Sweden, Finland, Belgium, Luxembourg, Austria, Germany.) The Court confirmed that the Community does not have express external competence to conclude international air transport agreements, but the EC has exclusive external competence in areas where EC has adopted internal legislation and which affect companies from third countries. The Court identified three areas where member states may no longer make commitments to other countries, these are establishment of intra-Community fares and rates, the allocation of airport slots, and computerised reservation systems. The open skies agreements breached the Community's external competence as regards the Community rules on intra-Community fares and rates and on computerised reservations systems.

The ECJ also found that the nationality clause in the

bilateral agreements is contrary to the EC rules on the right of establishment, discriminating the air carriers of other Member States in the host Member State.

The Effect of ECJ ruling

The ECJ judgements of 5th November 2002 in the "open skies" cases have implications not only for the eight specific agreements with the US which were found to infringe Community law, but for all other bilateral air services agreements to which Member States of the European Union are party.

EU started the negotiation with US on *EU-US Open Skies Agreement* after winning the cases. In November 2005, EU and US signed the *Open Skies Agreement* which is the first Open Skies agreement of EU at the Community level. The establishment of Open Skies between EU and US activated the impetus of EU to negotiate with other third countries. EU now is planning or conducting negotiations with China, Russia, Japan, Morocco and all the countries having border with EU to maximize and support the effect and benefit of ECJ's ruling.

Situation and Possible Policy of China

The situation to China is a bit different, just in 2005, China signed new aviation agreements with three important aviation partners in EU, Germany, France and UK, which has 38%, 23% and 9% of share of the non-stop traffic between EU and China in 2004. (*Community Civil Aviation Policy towards China, 2005*). From the new agreements, China will have deeper and wider cooperation with these three member states while the talk with EU is just on the primary level. This reflects the current aviation policy of China towards EU countries is to focus on individual member states which are important players in the field to gain more practical achievements and benefits for Chinese aviation industry and consumers. Other member states like Spain is also establishing new agreement with China to enter Chinese market.

Owing to the situation that the Chinese aviation industry is in a quite low level from all aspects, for instance, management level, technology level, airplane number, number of customers, assets of airline companies, compared with US and EU, China did not sign any agreements with other

countries to open the domestic aviation market. The protection of booming domestic market of China will accelerate the development of the aviation industry of China.

The domestic airlines are too small with poor management and technology that they can not compete with European giant carriers in the domestic market of China. The opening of domestic aviation market of China is impossible in current stage. The opening of aviation market between EU and China is an obvious, practical and favorable solution to both parties of EU and China.

The signing of *Open Skies Agreement between EU and US* did not give a perfect answer to the investors from both sides, the foreign ownership and control are still the conflicts between two parties. This issue is controversial due to various reasons like safety, national economic interest, merger regulations and even to the extent of the national characteristics and past experiences and lessons. In the markets of investment and finance, China is just a pupil of developed countries with mature experiences, complete financial tools and high-quality professionals in the related

From the business point of view, if the trans-continent than the older flag-carriers is that the low-cost carriers have aviation market can be deregulated, the new challenge to much less relative quantity of employees than the established Chinese and European flag-carriers will be the fierce airlines. Besides this, some of them (e.g. Ryanair) do not allow competition of low-cost airlines. Except the new agreement will their employees to be represented by a labour union.(Kangis pose limits as to which airline carriers can operate transatlantic and O'Reilly 2003) It would be easy to adopt the "no-frills" routes (which is quite opposite to the initial idea), China and strategy for the flag-carriers, but the over-staffing problem is EU's flag-carriers would face even more competition than they much harder to resolve, because these airlines face a fierce are already facing at the moment in the market. Namely, since opposition from labour unions in this regard. Having in mind the deregulation of the EU's airline industry, many flag-carriers that employee compensation costs are the single most have gone through hard times with some of them not surviving important component of total airline costs, typically accounting the challenge. for 25-30% of total operating costs (Doganis, 1992) It is easy to imagine how hard it is for the established flag-carriers to get the costs down to the levels of their low-cost competitors which seems to be the best way to compete with lost-cost airlines if they are planning to operate in the trans-continent routes.

The new low-cost carriers - mainly represented by Ryanair and EasyJet - that emerged after the deregulation took a big part of the EU airline market. Namely, they were able to set drastically lower prices, because they were experiencing much lower operating costs than the older, established airlines. The first reason for being able to achieve so low operating costs was their "no-frills" strategy. This is the strategy of focusing mainly on the core competencies, while outsourcing or even not providing other "added-value" services. The second reason why low-cost carriers can achieve considerably lower costs

III) Conclusion

The present paper has showed that the airline industry of China is quite protected in most areas, while aviation in EU is protected mainly with regard to foreign competition and investment. The EU at Community Level is at a disadvantage

fields. The controlling of air carriers by foreign investors must be the disaster and barrier to the development of Chinese aviation industry.

2. Economic Aspects:

The Community Civil Aviation Policy towards China gives the following facts: the total trade between China and EU in 2003 was estimated to be a total 235 billion Euro with a 15% increase than 2002. Of a total number of weekly frequencies between the EU and China of 141 in April 2004, Air China had a share of 28% while Lufthansa had a share of 17% and Air France 15%. From the *Joint Declaration on EU-China Cooperation in Civil Aviation*, it says the total Chinese outbound tourism is expected to increase from more than 28 million in 2004 to 100 million by 2020. Six airline companies ordered 60 Boeing airplanes worth 7.2 billion US dollars (China Economy Times, 31st January, 2005), while 6 Chinese airline companies ordered 150 airplanes of Airbus worth nearly 10 billion US Dollars (<http://news.sina.com.cn/c/2005-12-05/21167626968s.shtml>, 8th January 2006).

All the above figures depict an obvious fact, the future

demand in China aviation market will have a dramatic increase, in order to meet the requirement of rapid demand, China airline companies are trying their best to provide the adequate supply coping with the demand. The basic economic theory of supply and demand tell us, when the supply and demand meet at the point of equilibrium, the market can achieve the goal of profit maximization. Based on the previous assumption that it is better off for China not to open the domestic market to foreign carriers to achieve the goal of protecting and developing the aviation industry of China which is now a child industry, the cooperation in trans-continent air routes shows to be a compulsory process to absorb and localize the operational, management and technical experiences of foreign airlines. It is very happy to know that China airline companies have already applied some actions to cooperate with foreign colleagues for example joining the airline alliances and code-sharing with foreign partners. The result of a more open market will be more working posts in related industries and higher turnover of the whole industry from both sides.

3. Business Aspects

indirectly by the present agreements between China and individual European countries. But the countries like Germany, France and UK are at a advantage obviously after signing the new aviation agreements with China in 2005.

The EU is very much in favour of a new agreement between the EU and China at

Community level. On the contrary, due to fact that Chinese airline industry is a child industry which can not compete directly with the giants from Europe, all Chinese airline companies have the worries about their future after the possible opening up of even the trans-continent market.

It is not rational to have a fierce competition in the profitable, fruitful and developing domestic market of China, because the WTO agreement does not have regulations of marketing opening of aviation industry which has the natural feature of oligopoly

But in certain exceptions, the opening of domestic aviation market of China could be possibly achieved. Some examples can be the tradeoff between political issues and business issues, or even the tradeoff in the business areas. Due to the increasing interaction as well as conflicts between China and EU, there might be a win-win situation in certain circumstances to open the domestic market of China.

Looking at the possible operations of Chinese airline industry in EU market, the enlargement of EU in 2004 provides a golden chance. The formation of European Common Aviation Area and the potential privatization process of national flag carriers of eastern and central European countries (For example, Hungary Airline in 2005) offer Chinese airlines and investors with the worldwide ambition to try their luck in Europe in the possible near future.

Playing with the giants may lead to a failure, but without competing against the giants, people will never know how to win the game. The latest *China-US Aviation Agreement* has shown the faith and ambition towards the trans-continent aviation market. China and US agreed to increased the frequency of airlines from 54 to 249 during 2004 to 2010, the assigned airlines of US and China can fly from any cities from home to any cities to the other without any limitation. The opening up policy of trans-continent aviation is the trend in the world due to the globalization and decentralization of the industry.

Observing the situations and responses on China and EU through the *Joint Declaration of the Aviation Summit*, we can be optimistic about the future of EU – China relations concerning the opening up of their respective airline industries to each other at least in the trans-continent market. The

European Council is soon supposed to give a mandate to the Commission for starting negotiation with the Chinese government in this area. We do not know when a final agreement will be reached, but we know that from the moment both markets are open to each other, the consumers, the airlines, and the economy as a whole will benefit immensely.

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CHALLENGES OF MACEDONIA TO ENTER THE EU

Fall 2008

INTRODUCTION (November report)

After having applied for candidacy status in March 2004, Macedonia was recommended an EU candidate for membership in December 2005 and since then has been waiting for opening of the negotiation with the European Commission.

As thus, this research will focus on analysing Macedonia's position to enter the EU after the last EC report, the EC Progress Report of 2008, which had the objective to point out Macedonian's progress towards European Union's membership. Subsequently, this examination will evaluate which are the challenges that the country is facing to meet the benchmarks in a variety of aspects. Finally, the analysis will centre its attention on advances the former Yugoslav republic has made and the way forward it still has to go through to

achieve EU membership.

The report, issued on November, reflects Macedonia's achievements in the past year and displays a series of recommendations to meet eight benchmarks set by Brussels and the additional one after the June election incidents.¹

These conditions, set in January, compound different areas: 1) constructive political dialogue, 2) an effective enforcement of the new police law, 3) the political independence of the public administration, 4) an improvement of the business climate, 5) the speeding up of property registration, 6) the strengthening of the judiciary's independence, 7) the implementation in a sustainable way of anti-corruption legislation, 8) and creating conditions for the employment of the young. The fulfilment of these conditions was crucial for Macedonia to get a date for starting accession talks with the EU before the end of the year, according to officials in Brussels.²

With the implementation of these priorities, Macedonia should demonstrate its readiness to undertake accession negotiations, i.e. to be given a date for starting the negotiations. Before members of Parliament's Committee on European Affairs, EU Ambassador Erwan Fouere explained and established the tone of the account. "The European Commission (EC) progress report on Macedonia should be considered as an encouragement for intensifying the reforms

and their implementation aimed at country's EU integration". This statement should be taken as an incentive to keep up the progress the country has achieved throughout the years knowing that it is the right and secure way to enter the EU. Historically, recognition of the public's progress from the brink of civil war that shook Macedonia four years before came in December 2005 when the EU leaders agreed that it should become a candidate for membership.³ During this time, when Macedonia was backed as an EU candidate, EU officials said that politically, the country was an incredibly positive story, but that it still had a long way to go in terms of the economy and the public administration, plus the country was urged to crack down on corruption as a requisite to start accession talks.⁴ "Only a few years after a major security crisis, the former Yugoslav republic of Macedonia today is a stable democracy and a functioning multi-ethnic state," a Commission statement said. Now, after being a candidate for three years, the EU recognizes Macedonia's advance towards EU membership.

As a reminder, the accession criteria (Copenhagen criteria) states that any country seeking membership of the European Union must conform to the conditions set out by Article 49 and the principle laid down in Article 6(1) of the Treaty on European Union. Relevant criteria established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995:

To join the EU, a new Member State must meet three criteria: 1) **political**: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; 2) **economic**: existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; 3) **acceptance of the Community *acquis***: ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The political criterion must be satisfied before the European council makes a decision towards the opening entry negotiations.⁵

1. MACEDONIA'S PROGRESS

Macedonia is reported to have made progress in a number of areas, especially in the field of judicial reform, police reform and visa liberalization, besides the implementation of requirements under the Stabilisation and Association Agreement (SAA) signed between EU and Macedonia in 2001⁶, which is "a fundamental of a multi-faceted EU strategy designed to favour a progressive process of integration of the countries of the Western Balkans into the EU".⁷

Visa regime

"Macedonia is being far ahead amongst the countries in the region in terms of visa regime liberalization", said the Vice-

President of the European Commission (EC) responsible for justice, freedom and security, Jacques Barrot. He stated that "EU may introduce free visa regime for Macedonia in 2009". At a meeting with interior, Justice Ministers Gordana Jankuloska and Mihajlo Manevski, he urged Macedonia to continue its progress towards visa abolition. Jankuloska said the Macedonian Government was incessantly focused on meeting the requirements that takes the EU Visa Liberalization Roadmap. "Meeting the determined benchmarks is the goal of our overall reform towards EU accession", she stated.⁸

The actions towards this goal started on October first of this year, when the Ministry of Interior Affairs started an implementation of the changes in the Act for foreigners and the government decision for facilitated entry Macedonia for the EU members states citizens and signatories of the Schengen Agreement, citizens on the EU White list and also for foreigners who own legitimate Schengen C visa.

Macedonia's determination to become a member of the EU has urged this agreement between the Macedonian visa regime and the EU one. In this way, Macedonia's government stated that open borders will contribute economically to greater exchange of ideas and goods, and to increase interrelations with EU citizens. "We are certain that the simplified entry procedures will be of benefit not only to strengthening the political dialogue and relations with our country with state

members of the EU, but also for establishing sound bases for further economic inter-state collaboration and drawing inward foreign investments".⁹ "The visa liberation is the key for establishing communication between young people, experts and the whole nation is impatiently waiting to feel this much needed values of European democracy for opening the borders for which we need support", said Bocevski.¹⁰

The visa liberalisation, in comparison with the previous year, means a step forward for Macedonia in the EU direction because it lays the foundations for intercultural change, and make the Macedonian market more dynamic.

Praise of police reforms

Barrot also praised Macedonia for the advance made in police reforms, in the establishment of effective judicial system, in addition to the results achieved in tackling corruption and organized crime. He noted that reforms should be implemented in continuity in every sphere. Also, Jankuloska and Manevski informed Barrot about the numerous activities that were being conducted at legislative and institutional level aiming at EU integration.¹¹

Economy

"In conditions where a zero rate of EU's economic growth and a negative rate in USA are being predicted,

European Commission's projections for growth of the Macedonian economy in 2009 by 4.5% is quite encouraging", said Vice Prime Minister, Zoran Stavreski. EC's predictions, according to him, are the best corroboration that the economy policies and reforms for business climate enhancement realized in the past couple of years improved the competitiveness and increased the resistance of Macedonia's economy. As a result, it is expected to grow with good dynamics in such difficult global circumstances. "Just to remind ourselves, prior to 2006 when global economy was growing, in Macedonia the economy marked an average growth between 3 and 4% and only once in 2001 a 4.5% growth was realized, which is now being predicted in a time of global financial crisis," stated Stavreski. EC in its annual forecast for Macedonia also predicted that the 2008 economic growth would reach 5.5%. As to 2009, EC also forecasts the inflation rate and unemployment will be decreased.¹²

In regards to the economy, Minister of Finance, Trajko Slaveski, stated that since "NATO and EU membership are major goals of the Republic of Macedonia, the new government (had) promised to implement deep economic reforms to improve the business climate, encourage investment, particularly FDI, reform the judiciary, improve the operation of markets (product, land and real estate, capital and labour markets), deregulate many spheres of economy, etc." He

added in an interview on 2007 that "Macedonia is now a country with lowest personal and corporate income tax rates in Europe".¹³

"Macroeconomic stability in Macedonia has been highly regarded," he continued. "The European Commission has praised the consensus in the country about the maintenance of the macroeconomic stability. We are in the middle of a Stand-by (Precautionary) arrangement with the IMF, although the government itself has been committed to lead a sound fiscal policy. The central Bank (NBRM) is fully independent", adding that Macedonia has to catch up in the process of its approximation to the EU. "The government works day and night in order to improve the performance of the economy and harmonize its laws with the EU legislation in the expectation of a date to start negotiations for entry into the EU".

As to export growth, Slaveski stated that it is still insufficient, "and the significant share of the unofficial economy somehow distorts the real picture for unemployment". Nevertheless, the minister clarified that this does not mean that unemployment is a very serious problem for Macedonia. Exports are expected to strengthen with entry of foreign investors which have been reluctant to come to Macedonia until very recently. However, the candidate country status, visible reforms and aggressive campaign to put Macedonia on the radar screen of foreign companies as a

country with potentials for investment and for earning profits, have started to bring fruit. "Macedonia is expected to become a country of choice for some major international companies who recognize its advantages (geographical position, low taxes, low cost of fairly qualified labour force, etc)", he added.

As the Minister of Finance points out, Macedonia has created new conditions to attract foreign investors in the past few years. In the past, the overall situation in the country and the region, as Slaveski states, has not been favorable for attracting FDI, including major international banks. Conversely, this has changed recently, since Soiete Generale bought a bank, while two out of three biggest existing banks are already foreign owned (by the NBG group from Greece and NLB from Slovenia). "With further liberalization of entry into the banking sector, we expect increased interest for investment by major international banks," he added.

Slaveski has been a prime mover in striving to reduce corporation tax and introducing a uniform rate of personal income tax in Macedonia. He has explained that even though the nature of unemployment in Macedonia is mainly structural, still the existing tax wedge (the difference between net and gross wage) has been higher than the OECE countries, thus increasing the cost of labour in an environment of very high unemployment rate. By reducing the rate we reduce the cost of labour. This should be an incentive for new employment and

reduction of the grey economy. "While presenting the 2007 budget in the parliament, which incorporated the introduction of flat tax, I (Slaveski) cited Adam Smith who remarked: 'Little else is requisite to lift a country from misery to the highest level of opulence but peace, easy taxes and tolerable administration of justice'. These brilliant words from more than 230 years ring true for the Macedonian situation today in its drive towards full membership of NATO and EU".

This year, in the midst of the world financial and economic crisis, Macedonia's improvement in diverse economic and financial fields, plus the enhanced definition of financial and economic structures hints the basis for the functioning of a market economy and the capacity to cope with competitive pressure and market forces within the Union, as the Copenhagen criteria urges EU candidates. This proved not only by its economic growth, but also by the series of the responsible and well thought measures that have been taken in this direction such as the economy policies and reforms for business climate enhancement, plus encourage investment, reform the judiciary, optimization of the operation of markets and deregulation, among others, that lead to the improvement of competitiveness and strengthened Macedonia's economy and its firmness, besides macroeconomic stability. Moreover, the EC has forecasted the decrease of inflation rate and unemployment, clear positive expectations for the stability of a

country. This progress demonstrates Macedonian government's efforts to harmonize its laws with EU legislation.

The economical challenge for Macedonia remains to keep up the economical progress and the intensification of exports, which remain weak. This has been due to the lack until now of foreign investors, though the expectations claim that this state of affairs will ameliorate with Macedonia's condition as an EU candidate, the mentioned reforms and Macedonia's campaign to attract foreign investors. However, the actions towards cracking down corruption have to be kept up.

Recent Efforts in Parliament

The report also includes the most recent efforts made in the Parliament for ensuring constructive dialogue and for establishing consensus. "We encourage all political parties to cooperate in a spirit of partnership and to build sustainable political consensus", said Fouere.

2. NEGATIVE EVALUATION AND MACEDONIA'S CHALLENGES

On the other hand, EU ambassador, Erwan Fouere, accentuated the negative assessments related to political media –the parliamentary elections, political dialogue and

partially in the public administration. Furthermore, the European Union told seven Balkan countries (Albania, Bosnia, Croatia, Montenegro, Serbia and Kosovo) on November 7th, among them, Macedonia, they must clamp down on corruption and organized crime if they wish to join the 27-member bloc. "Across the region, a lot of progress has been made... At the same time the common challenges, such as boosting the fight against organized crime and corruption, must be given adequate attention," said EU Justice Commissioner Jacques Barrot.¹⁴

Now, in order to enter the EU, Macedonia must meet the remaining benchmarks, mend the negative assessments and face the most controversial challenge with Greece about the name issue.

2.1. Parliamentary elections

General election voting in June was disrupted in five areas of Macedonia in the middle of unrest in which at least one person was killed and more hurt. There were several shootings, including two in the Albanian stronghold Aracinovo, where one person died when police clashed with gunmen; besides, more than 20 people were arrested following shootings between rival parties or with the police, and election officials closed a number of polling stations amid reports of intimidation and fraud. This zone was in 2001 the centre of

conflict that confronted for seven months the ethnic separatists (25% of the population in the country is Albanese) with the state security.¹⁵

Historically, even though Macedonia did not go through the inter-ethnic violence that raged in the Balkans after the break-up of Yugoslavia in the early 1990s, the country came close to civil war a decade after independence. The background of the hostility lies in 1996 when the majority was given to a new coalition which is centre-right VMRO-DPMNE party. Subsequently, the government inquired NATO to station its troops in the border to avoid problems with the Albanian community as the tension was rising in Yugoslavia.

Consequently, ethnic Albanian rebels staged an uprising in early 2001, with the object of demanding greater rights for their community, which makes up about a quarter of Macedonia's population (population profile: 66.5% Macedonians, 23% Albanians, 4% Turkish, 2% Serbs, 2% Roma and 0.4% Vlachs). The conflict created a wave of 100.000 refugees and the rebels made territorial gains. The terror ceased after months of conflicts when EU and NATO support enabled the president, Boris Trajkovski, to strike a peace deal. Under the Ohrid agreement, Albanian fighters laid down their arms in return for greater ethnic-Albanian recognition within a unitary state. Acknowledgement of ethnic-Albanian rights was formalised in amendments to the

constitution approved by parliament in late 2001. In August 2004, parliament approved legislation redrawing local boundaries and giving ethnic Albanians greater local autonomy in areas where they predominate. However, at present, the two main ethnic Albanian parties are bitter rivals.

The whole conflict has a tumultuous and long backdrop. Even though Macedonia is made up of a crucible in the diverse ethnicities, in the past few decades, the major inter-ethnic conflicts have been dwelled by the Slavic-Macedonians and the Albanian Macedonians. The raised repression of the latter followed up the preceding subjugation of the Albanian population in Kosovo, after its autonomy was revoked in the late 1980s. This was materialized in the amendment of the Constitution to declare "the national state of the Macedonian people" (while the Albanian Macedonians were denied the constitutional rights they previously shared on equal footing), Albanian families were limited to having only two children, the Albanian language was prohibited to be spoken in public just as the children could no longer be given Albanian names. The resentment of the minority group escalated throughout the years until it reached its violent expression which ended with the mentioned recognition of the Albanian Macedonian rights, plus subsequent compromises and responsibilities assumed by the Macedonian government towards this important part of the population through the creation of laws guaranteeing the

equality and fair treatment of minority groups.

Prime Minister Nikola Gruevski aims to make Macedonia a member of the European Union and of NATO. He called the parliamentary election two years before (it had originally been scheduled for 2010), hoping to strengthen his hand and introduce reforms towards this objective, and to secure an absolute majority of his centre-right VMRO-DPMNE party. The Spanish newspaper EL PAÍS points out two reasons for the weakening of the government. First, and because the poll was called after this happened, **Greece vetoed Macedonia's attempt to join NATO** because of its name. The second reason, much more dangerous because it has flamed the inter-ethnic conflict, is **the independence of Kosovo**; Gruevski's government had not recognized by then (since it already did on October) the secession of the former Serbian province, which enraged Macedonia's Albanese minority.

Mr Gruevski's party had promised not to change the name of the country under Greek pressure, to push on with reforms aimed at EU admission, to revive the economy and to tackle corruption. Recent opinion polls favoured the VMRO-DPMNE, suggesting it would take between 26% and 31% of the vote. Its nearest rival, Radmila Sekerinska's Social Democrats, was given between 10% and 11% by the same polls.¹⁶

Even before it started, the poll had been marred by

disruption. The election campaign had been overshadowed by violence between rival ethnic Albanian parties. There have been shootings and grenade attacks on party offices.

The Macedonian government promised to right the attack on democracy. "In most parts the vote was fair and democratic, but sadly in one part there were irregularities," Prime Minister Gruevski said. "I will do everything in my power to have a re-run there so each and every MP is elected fairly," he added. Meanwhile, a government spokesman, Ivica Bocevski, said the reports of tainted polling stations affected just one percent of the 1.7 million electorate. She said voting would be re-run wherever "violence, ballot rigging or other irregularities took place" and that, "it doesn't matter at all how much effort or resources will be needed. We will make sure it is all done properly, legally and, of course, with international monitoring."

On the other side, the European Union's representatives expressed their utmost reprobation of the event and ascertained that it was a hold-up and another challenge for Macedonia in its road towards EU membership. The "violent incidents and serious irregularities" that marred the June general elections are considered a serious setback. Election violence in June and subsequent boycott of parliament by ethnic Albanian opposition parties blew any hopes that a date would be set for Macedonian entry in EU in 2008. As a

consequence of the events, the European Commission stated then that Macedonia "does not yet meet the political criteria" to start membership talks.¹⁷

The European Union's executive arm, the European Commission, said it was "very concerned" by the violence and called for "calm and restraint," while EU foreign policy chief Javier Solana demanded that polling be repeated in any affected areas. Also, EU Enlargement Commissioner Olli Rehn "is very concerned about the violence that occurred during the elections", his spokeswoman said. She said the re-runs would be watched closely and the EU hoped to see "peaceful and orderly conduct of voting"

Denis MacShane, the MP who is leading the UK observer delegation, called the violence and disruptions "an assault on democracy unacceptable in today's Europe". "No government can be formed as a result of this election. New polls must be organised in all the districts where violence, intimidation and stuffing of ballot boxes have taken place," he added.

As the BBC news reported, foreign observers said violence and allegations of rigging meant Macedonia's election fell short of international standards. Observers said they could not give the poll a clean bill of health. "Key international standards were not met," said monitors for the Organisation for Security and Cooperation in Europe (OSCE). "Organised

attempts to violently disrupt the electoral process in parts of the ethnic Albanian areas made it impossible for voters... to freely express their will."¹⁸

The hostility cast a shadow over the vote, in which Prime Minister Nikola Gruevski won a convincing victory. Election officials said with nearly all the votes counted, the prime minister's VMRO-DPMNE party had about 47% -more than twice the support for the Social Democrats, who had taken 23%. It appeared this would be enough to give the party a parliamentary majority, without relying on other parties for coalition support.

Skopje clarified that the strategy needs to ensure free and fair elections, improve the political dialogue and non-politicised police service, and continue the fight against corruption.¹⁹

As the EC report states, this event adds a new benchmark that the Macedonian government has to meet in order to enter the EU. As it has been established, to become a member state, the country's institutions have to be stable and guarantee democracy, the rule of law, human rights and respect for and protection of minorities. The June elections proved that there is still a great deal to do not only politically but also socially. It has to be recognized that there has been an infinite progress in this sense since 2001 when the country was on the edge of civil war, but it is not enough. There are

still initiatives to be taken from the institutions to fairly meet the minority's needs, try and reconcile political parties, make an effort to secure the respect for human rights by the national service, and initiate policies of ethnic integration. This is compounded in the first criterion that requires the candidate countries to be democratic. As thus, its citizens must be given the opportunity to participate in political decision making; therefore, there must be free elections with a secret ballot, the freedom to establish political parties, fair and equal access to a free press, free trade union organisations, freedom of personal opinion, executive powers restricted by laws and free access to independent judges. The rule of law compels government authority to only be exercised in accordance with the law as adopted through an established procedure. Human rights, universal, must also be protected. The respect and protection of minorities, a final essential element in the democratic state, implies that members of national minorities should be able to maintain their distinctive cultures without suffering discrimination.

The roles of the press during the conflicts that have shaken Macedonia in the past few decades have served particular purposes. The information was manipulated, far from neutral and filtered through the glass of the two main ethnic groups' principles, with an audience restricted to their own ethnic group. The reporting of each press, especially one for

the Macedonian group and another for the Albanian Macedonians, had been significantly different one from another.

This contradictory flow of information and propaganda has led to a different perception of reality, and subsequently, to a nonexistent sense of identity among the ethnic groups as belonging to the same state Macedonia, which is in itself a large-scale nation.

For this reason, I believe that there should be more initiatives to encourage the flow of information directed to construct or strengthen a Macedonian identity that recognizes itself as a multicultural state and enforces this individuality for the whole country as Macedonians comprising and respecting the whole diversity of cultures.

Apart from all the conflicts there have been Spain in their different expressions in this issue, its Constitution states and it is based on: "the indissoluble unity of the Spanish nation, common and indivisible homeland to all the Spaniards, and it recognizes y guarantees the right to the autonomy of all the nationalities y regions that integrate it, and the solidarity among them all"²⁰. Thus, the Spanish Constitution parallels the Spanish nation as a major crucible that comprises all other nations inside its boundaries. There might be nationalisms like in Cataluña, Andalusia, Basque Country, Galicia, but there still is a supreme nation when all others can identify themselves

with that is Spain.

After the country was on the brink of the civil war, in 2001, the Ohrid Agreement was signed. Its chapter 4.1 states, "the principle of non-discrimination and equal treatment of all under law will be respected completely. This principle will be applied in particular with respect to employment in public administration and public enterprises an access to public financing for business development". This was a great advance in the sense of defending the minority's rights, but the uproar during the June elections might hint that this principle hasn't been fully applied, and there is still discrimination depending on the groups.

The media is a strong tool to enforce identity and it should be used to like that to lay the foundations of a unitary state. Moreover, all the minorities must be equally and fairly permitted to have access to the media as creators and producers. Their cultures should be portrayed through it by themselves with its true meaning.

Actually the constitution of the Republic of Macedonia from 1991 guarantees the freedom of expression and access to the media, in its article 16, which reads: "The freedom of personal conviction, conscience, thought and public expression of thought is guaranteed. The freedom of speech, public address, public information and the establishment of institutions for public information is guaranteed. Free access to

information and the freedom and the freedom of reception and transmission of information are guaranteed. The right to reply via the mass media is guaranteed. Censorship is prohibited". Moreover, in the article 48, it states: "Members of nationalities have a right freely to express, foster and develop their identity and national attributes. The Republic guarantees the protection of the ethnic, cultural, linguistic and religious identity of the nationalities. Members of the nationalities have the right to establish institutions for culture and art, as well as scholarly and other associations for the expression, fostering and development of their identity. Members of the nationalities have the right to instruction in their language in primary and secondary education, as determined by law. In schools where education is carried out in the language of a nationality, the Macedonian language is also studied."²¹ Therefore, these guarantees should be put into force.

Furthermore, there has not been enough information about the EU membership and Copenhagen criteria. For these reasons, the government should make efforts and enhance the means to make the population know about the EU candidacy, the requirements to achieve it, the way o make it, the advantages of EU membership, and have to cooperate to make it happen. This way all the communities would feel like an active part of the process and would work together to meet the nine benchmarks set by the European Commission.

2.2. Name dispute

"The main obstacle for Macedonia's accession to EU and NATO will remain the name dispute with Greece even if the country fulfils all the criteria", Macedonia Vecer newspaper reports.²²

Gruevski also focused on a segment of the report, where it is being concluded that Macedonia generally fosters good relations with the countries in the region and where it is being suggested the country to settle the name dispute with Greece in the spirit of neighbourliness. "The relations with Greece were tense due to the unresolved name issue. Actions with unfavourable impact on the neighbourly relations should be avoided and efforts towards mutual acceptable solution should be stepped up under UN mediation", Gruevski said citing the report. He added that Greece's statements, suggesting that Macedonia will not make a progress in its EU integration until the name row is settled are dispiriting. "It is discouraging for us to listen to these statements from an EU member on daily basis that Macedonia will not obtain a date for negotiations until an agreement is reached. What is more discouraging is that its partners don't react to this", noted the PM.

Ever since Macedonia gained independence in 1991, its name has been the subject of a bitter dispute with southern

neighbour, Greece. It is still referred to formally as the Former Yugoslav Republic of Macedonia (FYROM). International recognition of the country's split from Yugoslavia in 1991 was held up over its neighbour country's contention. In 1993, Macedonia was admitted to the United Nations using the temporary name of the Former Yugoslav Republic of Macedonia (FYROM). In 1993, Macedonia entered the United Nations with the provisional name of "Former Yugoslav Republic of Macedonia". Two years later, Greece lifted a two-year trade blockade only after the two countries signed an accord. At the present, the name of the former Yugoslav republic could endanger its bid to join the EU and NATO. In the same year, Athens agreed not to let its northern neighbour's name prevent it from joining international organisations.²³

After the progress report, EU encouraged Macedonia to make enough progress this year to begin accession negotiations. However, a deeper complication could be its name. "If we can't settle this issue, I'm afraid it will have negative ramifications (for EU accession)," stated EU Enlargement Commissioner Olli Rehn.

The core of the quandary is that Macedonia is already the name of a northern Greek region and the former Yugoslav republic has related its heritage to Philip of Macedon and Alexander the Great. For this reason Greeks argue that its

taking its name inherently suggests territorial ambitions beyond their neighbour's existing borders.

Until now the dispute has been dealt with a manufactured deal allowing the Macedonians to sit in the United Nations under the name FYROM, former Yugoslav republic of Macedonia, whose capital is Skopje. Even though the Republic of Macedonia exists constitutionally and has been recognised by a large part of the international community, many countries use the name FYROM in international organisations.

In 2008, NATO leaders agreed to invite Albania and Croatia to join the alliance. But Greece blocked Macedonia's invitation because of the dispute over the country's name. Greece, as a member of the EU and NATO, may obstruct Macedonia's entry in both with its power of veto since unanimous vote is necessary before new members are allowed in.

85% of the Macedonians support the entry in the NATO, a toll barrier to enter the EU, but not at any price. 65% of the population rejects to alter the national name.²⁴

Macedonian Foreign Minister Antonio Milososki told the BBC News website his country's soldiers had already played their part in Afghanistan. "If other NATO countries, including Greece, do not mind when our soldiers employed in Afghanistan wear on their uniforms the name of our country,

Macedonia, and our flag why would Greece mind if we joined the alliance after we have fulfilled all the relevant criteria?"

The argument is rejected by Nikos Karahalios, campaign manager of Greece's ruling New Democracy party, who says basically that Greek public opinion will not accept another Macedonia. "It might sound very sentimental but it is embedded in the hearts and minds of Greeks", he says.

UN envoy Matthew Nimetz has been busy negotiating in search of a name suitable to both sides. Still, five names he proposed were turned down in February. The names he suggested were: Republic of Upper Macedonia, Independent Republic of Macedonia, New Republic of Macedonia, Democratic Republic of Macedonia and Constitutional Republic of Macedonia. New suggestions such as Republic of Macedonia (Skopje) or Macedonia-Skopje have been rejected by Greece, that is looking for a surname with unquestionable geographical bonds like Upper Macedonia or Macedonia of the North, that Skopje does not accept.²⁵ Nimetz has been holding further negotiations in the two capitals, but the matter awakes passions on both sides of the frontier. Thousands of people protested in Skopje at the end of February because of a possible name change and there have been parallel manifestations in Thessaloniki, the capital of Macedonia in northern Greece.

When it comes to joining NATO, Mr Karamanlis has

made it clear that the problem lies with Macedonia. After talks with Nato Secretary General Jaap de Hoop Scheffer on Monday, he said: "As long as the neighbouring country persists in a position of intransigence, the answer is 'no solution means no invitation'."

Alternatively, Mr Milososki says Macedonia has already bent over backwards, first by changing its flag in 1995 and then by amending its constitution to specify no territorial aspiration against any neighbour, particularly Greece.

Mr Karahalios says Greeks are unconvinced by their neighbour's assurances: "We have seen proof that they are cultivating the feeling of irredentists. Official maps come every now and then out of their foreign ministry which include Greek soil".

The Macedonian government also has to consider public opinion on an issue which its foreign minister describes as "the cornerstone of our nation". "I would like to see how prepared Greece would have been if we were speaking about the constitutional name of the Republic of Greece," says Mr Milososki who insists his government is prepared for a bilateral compromise.

Skopje says that "maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue, under the auspices of the UN remains essential".

The European Commission asks both parts to increase the efforts towards solving this issue, "that should not obstruct under any circumstance the entrance of FYRM in international organisations, as it is established in the temporal Agreement of 1995, which is still in force".²⁶

Vice Premier for European Affairs, Ivica Bocevski stressed that the name issue should not be an obstacle in Macedonia's European integration. "Everyone finds it odd when a neighbour prevents a country from joining the EU, taking into account its positive Union experience. EU is a democratic club based on democratic values, and in such a club no one can set a choice –name or European Union", underlined Bocevski.²⁷

As it has been mentioned, this issue seems to be a bilateral matter, and it's subject to these countries' positions. As it is, they are the only ones that can solve it. One part has to give in and they have to reach an agreement that suits both parties. For one part, Macedonia is sovereign and has the right to be called like that not only for historical reasons but also because part of the international community has recognised it with that name. For the other part, Greece has the right to veto the entry of any country seeking EU membership (or NATO's); however, the pressure is on since many EU states have expressed their support to Macedonia in its way to become an EU member. In case no agreement as to the name is reached, Macedonia might have to decide between its name

and EU membership, which is improbable since the majority (65%) of the population is not willing to change the country's name. As to Greece, since its arguments are that its northern province has the same name, and that the former Yugoslav republic has linked its past with Philip of Macedon and Alexander the Great, which might, according to the Greek, lead in the future to territorial ambitions beyond their neighbour's borders; nonetheless, in the context of the European Union, that has the principle of political, economic and monetary union, past territorial ambitions that figured in the Macedonian constitutional, which have already been changed by request of Greece, are incompatible with the organisations constant principle of unification.

3. POSITION OF MACEDONIA'S GOVERNMENT BEFORE THE REPORT

"The European Commission (EC) report is realistic and embodies all the things that happened in the Republic of Macedonia in the past 12 months as well as recommendations for overcoming the shortcomings," stated Prime Minister after receiving the EC report from EU Ambassador Erwan Fourere.

EU Ambassador Fourere thanked for PM's commitment that the Government, together with all state institutions, will promote the reforms identified in the report. Being a

representative of the European Commission, he said he will advocate a cooperation between all parties in the spirit of consensus in order Macedonia to initiate the next stage in the EU integration.

Gruevski, citing a segment on the economic criteria, said that the report noted Macedonia's progress in the field and that the country is coming closer to enabling functional market economy. In the mid-term it will be capable of facing EU's competitive pressure and market forces only if the country fully implements reform program.

The report, amongst other things, highlights a significant boost of direct foreign investments and praises Macedonia for making efforts in improving its capacities for appropriately addressing the EU membership duties.

He said that as soon as the report is revised, the Government will draft a strategy for overcoming the shortcomings.²⁸

When asked to give concrete assessment regarding report, which doesn't include a date for start accession talks, Gruevski said he believes it is realistic, but cannot go into details since he hasn't had the chance to read it entirely.²⁹

Vice Prime Minister Ivica Bocevski said the Government deemed the report as objective, being a draft for future activities. The Government would not take part in a debate on whether it was black or white, because "such a debate will

prompt further frustration and will complicate things". According to him, the report was a major political message to everyone, because it provided genuine reflection to the political events in Macedonia.

"The report ascertains the progress and rightfully concludes that the main focus will be directed to next year's presidential and local elections. The role of the Parliament will be of utmost importance in the period to come in terms of ensuring political consensus regarding the elections and promoting overall political dialogue within the democratic institutions", stated Bocevski, adding the Government would pledge to intensify its dialogue with EC.

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The Committee was also addressed by the Ambassador of France, Bernard Valero, whose country holds the EU presidency, urging that the report should be seen as a map for country's future activities that must be completed collectively.

"At the end of this collective endeavour there will be no losers and winners. It won't be a victory for the Government or failure for the opposition. It will be victory of historic importance for the country... I hope it'll be Macedonian path in future months", said Valero, adding that Macedonia had no plan B and that its place was in Europe.

The Committee members also extended unanimous standing that the report was objective and a realistic overview of the conditions. They concurred that the responsibility should be borne by both the Government and the opposition, thus pledging to fulfil the EC recommendations successfully.

According to the BBC news, "a date of 2012 has been suggested as a possible target for the country to join the EU".

Moreover, many EU members have manifested their strong support to Macedonia, such as Italy, Great Britain, Estonia, Latvia and Sweden. "Sweden fully supports the European Union enlargement and the Euro-integration process of Macedonia and other Balkan states," stated Swedish Minister for EU Affairs Cecilia Malmstrom after meeting Vice Prime Minister for European Affairs, Ivica Bocevski. Malmstrom also stated that she was expecting the visa regime to be facilitated and other results to be achieved next year when Sweden would take over EU's presidency in July 2009. "We will do everything in our power to improve this issue (giving a date for EU membership talks), however it is too early to discuss it (the statement was made on October 27 and the EC report was not published until November 6)".

In regards of the Greek-Macedonian name dispute, Malmstrom said it was a bilateral issue. "The Government of Sweden expects swift row settlement, but it shouldn't hinder Macedonia's EU integration". She added: "We don't consider

that the name issue is one of the criteria, because there are clearly determined Copenhagen criteria that refer to every country aspiring to join the Union. We hope the issue will be settled, because it contributes to improving the political condition".³⁰

Italy is one of the biggest supporters of Macedonia for its EU membership. "The name row shouldn't and cannot be a problem for Macedonia's admission to EU," stated Italian Deputy Foreign Minister, Alfredo Mantica. He added that the country should resume the reforms, especially in those areas pinpointed with European Commission's benchmarks.³¹

"Politicians are encouraged by the support of their own people. I know that 87 percent of Macedonian citizens are in favour of the country's EU membership, which presents a strong support for authorities to keep working in this direction," stated Minister for Europe in the British Foreign Office, Caroline Flint.³²

Certainly, as it has been stated by EU diplomats, the report should be considered as a guide for Macedonia to meet the requirements towards membership, since the path of entry has already been taken and the European Union does not conceive Macedonia's future outside it. The main obstacle, since all the others are already in the government's agenda to be overcome, remains Macedonia's name, having that Greece is inflexible at not vetoing Macedonia's entry into the EU and

NATO if it doesn't change its constitutional name. It seems that until an agreement is reached between these two countries, one part gives in or Greece does not use the name excuse to block its neighbour's membership, Macedonia will find it difficult to enter. Nevertheless, as other EU members have expressed, the name was never a membership criteria and the agreement signed on 1995 states that Greece would not obstruct Macedonia's entry in any international organization because of its name. Therefore, there are many possible outcomes in this matter.

In an interview to the full professor of Economical Politics from the University of Málaga, José Emilio Villena, he argued that from the EU perspective, Macedonia's membership is desirable and it wouldn't represent any threat to other member states in the political and economical sense because its population is small. "These countries of the Former Yugoslavia will also be able to enter the EU little by little since they are small countries and they don't generate problems. This is because they are countries with a small population and it's much easier to help them with structural funds and and it is not difficult to integrate them. The problem comes when the countries are too big like in the case of Turkey that would turn them into a more powerful country than France, United Kingdom and Italy", since "the whole power in the union is distributed through the European institutions depending on the

population. Thus, until now, the EU has advanced always through the axis France-Germany, and France has been in a situation of equality with Germany, but after the reunification of Germany, it has become a country with much more population than France, or other great ones like United Kingdom and Italy”.

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