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Macedonia: Challenges of Interethnic Powersharing and Integration

Abstract. Contrary to other successor states of the former Yugoslavia, Macedonia has achieved independent statehood and democratic consolidation without major warfare. Macedonia's reforms have been focused simultaneously on state building as well as legal and economic reform. Macedonian political elites have established practices of interethnic power sharing but are now faced with the challenges of Euro-Atlantic integration and the Greek objections to their country's name. Macedonia was not invited to join NATO at the Bucharest Summit in April 2008. Athens insists that Macedonia must add a "qualifier" to its name in order to differentiate the country from the northern province of Greece bearing the same name. At the snap elections held in June 2008, the conservative Internal Macedonian Revolutionary Organization – Democratic Party of Macedonian Unity (VMRO-DPMNE) single-handedly won more than half of the seats in parliament – 63 out of 120 deputies, and formed a new coalition with the strongest ethnic Albanian party, the Democratic Union of Integration (DUI).

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History and Characteristics of Transformation

Modern Macedonia emerged in 1945 as one of the six constitutive republics of the Socialist Federal Republic of Yugoslavia. When Yugoslavia disintegrated in the second half of 1991, Macedonia was disinclined to remain in a truncated Yugoslav state likely to be dominated by Serbia, and lacking the counterbalancing influences of Croatia and Slovenia. Thus, Macedonia declared independence on 8 September 1991 and is today a democratic multi-party state. The president is elected for a term of five years by popular vote, while the unicameral Assembly (*Sobranie*) is composed of between 120 and 140 members who are elected by direct, universal suffrage. All parliaments since 1990 have had 120 members. The Macedonian political system is semi-presidential, akin to the French model.

Macedonia is a multiethnic state with a population of around two million. According to the 2002 census results, 64 percent of the total population identify

themselves as Macedonian, while Albanians are the biggest minority, comprising 25 percent of the population. Problems consolidating Macedonia's democracy have been related to interethnic relations. During the 1990s, Macedonian political elites clashed with their ethnic Albanian counterparts over the basic idea behind the concept of the state. Various elements of the constitution, census taking methods, laws on education, local self-government, public display of national minority symbols, and the ethnic make-up of the police, the army, and the public administration were all contested by Macedonian Albanians during this period. With a major segment of the population challenging the very foundations of the state, Macedonia could not consolidate its democracy. When militant Macedonian Albanians attacked Macedonian security forces in 2001, interethnic tensions escalated into an armed conflict. The conflict lasted for six months, but caused relatively few casualties (several dozen according to different sources).

In the Ohrid Framework Agreement, political representatives of Macedonian Albanians and of the Macedonian government agreed on reforms and amendments to the 1991 constitution. The main goal of the reforms has been to accommodate the grievances of the Albanian community and address ethnic Albanian demands for equal standing, while at the same time preserving the unitary character of the state in order to alleviate the concerns of the Macedonian majority who fear a "federalisation" of the country and its eventual disintegration.¹

Due to Greek objections, the admission of Macedonia to membership in the United Nations in April 1993 was made contingent on the country's being "provisionally referred to for all purposes within the United Nations as 'the former Yugoslav Republic of Macedonia' pending settlement of the difference that has arisen over the name of the State". Although the reference to Macedonia's Yugoslav past was only required within the UN as a result of Greek pressure, other international institutions have continued to refer to Macedonia as a "former Yugoslav republic". In spite of a 1995 UN-backed interim agreement normalizing relations between the countries, Greece has deliberately blocked Macedonia's admission to NATO since 2008 and also prevented Macedonia from beginning negotiations for EU membership. The view from Athens is that the name Macedonia implies territorial irredentism on the part of Skopje. Greece claims the name to be exclusively part of its cultural and historical heritage. Macedonia has renounced territorial ambitions over Greek territory but it cannot change the name of the country because the name itself is part of its identity. The view from Skopje is that Macedonians have a right to self-determination and that ancient Macedonian history is as much a heritage of the Republic of Macedonia as it is of the Republic of Greece.

¹ For more details see Zhidas DASKALOVSKI, *Walking on the Edge. Consolidating Multiethnic Macedonia 1989-2004*. Chapel Hill 2006.

Democracy

Stateness

In principle, the state monopoly on the use of force is in place. Although Macedonian society is still split along ethnic lines, conflicts have been subdued with the implementation of the Ohrid Agreement. Today, Macedonian society is free of excessive influence by extremist and intolerant non-governmental institutions and organizations. In fact, there are no visibly active organizations, private militias, or vigilante groups advocating racist or xenophobic agendas or threatening political and social stability. Nor has the country's transition to democracy been threatened by radical groups. Remote villages inhabited by ethnic Albanians are in theory controlled by the state. In practice however, local chiefs control economic and social life there.

Ethnic, religious or cultural minorities are not *de jure* or *de facto* excluded from political citizenship (membership in the political nation). Although following the break-up of federal Yugoslavia there were a number of individuals who did not acquire Macedonian citizenship because they did not meet the requirements of the Citizenship Law of the new Macedonian republic. This problem has been solved by easing up the requirements to acquire citizenship, and is thus no longer politically relevant. By law, all citizens have the same civic rights. The nation state is widely accepted as legitimate, even if the ethnic identification is still strong. Since VMRO-DPMNE came into power in 2006, a process strongly linking the origins of the ethnic Macedonians with the legacy of Alexander the Great has been initiated, alienating many ethnic minorities as well as Macedonians that do not conform to this myth of origin.

Church and state are separated by law and the political process is generally secularized. However, preferential treatment in public life is given to the main Orthodox Christian and Islamic denominations. New sects within these faiths cannot officially register under the same name and operate in the country. Smaller religious communities have problems in practicing their faiths due to long-running denials of permission to build, extend or establish legal ownership over places of worship. On the other hand, both the Macedonian Orthodox Church and the Islamic Religious Community strongly influence societal views on various issues, mainly promoting more conservative attitudes. These religious organizations are a significant part of the civil society. The government introduced optional religious teaching in the public education system. This decision is under review by the Constitutional Court, as it was seen as violating the secular character of the Macedonian state.²

² See MPC i IVZ iznenadeni od odlukata na ustavnite sudni [MPC and IVZ surprised by the decision of the Constitutional Judges], *A1 News*, 12 February 2009 available at <<http://>

A functioning administrative system, public security and order are all assured, with some limitations, throughout the country. They suffer, however, from widespread corruption and lack of technical skills. Overall, the human capacity of the public administration is poor and it lacks the skills necessary to cope with policy processes and reforms.

Political Participation

The members of the Macedonian Parliament are elected for four-year terms in six electoral districts. Each district has about 290,000 voters and elects 20 members using a proportional representation model. The electoral system is free of significant barriers to political organization and registration. Ethnic and other minority groups have sufficient opportunities to participate in the political process. However, the lack of financial transparency in the functioning of the political parties and particularly the election campaigns seriously affects the democratic quality of elections.

Although elections in Macedonia are generally free and fair, there have been manipulations of the vote in certain areas of the country in the past. Such manipulations took place during the early parliamentary elections held on 01 June 2008 and the OSCE-ODIHR election observation mission reported that key international standards were not met.³ The electoral campaign was stained by several incidents including attacks on campaign offices, physical fights and shootings. On election day, organized violence, intimidation and stuffing of ballot boxes in some, predominantly ethnic Albanian areas prevented a number of citizens from exercising their democratic rights. Following the irregularities, the State Electoral Committee annulled the results in 197 polling stations, accounting for 10 % of the registered voters. The presidential and municipal elections held on 22 March and 05 April 2009 met most OSCE and Council of Europe requirements and standards for democratic elections. Both election days proceeded peacefully and reflected further improvement in the conduct of voting and vote-counting.⁴

The military and intelligence services are under full civilian control. However, in practice the parliamentary commission charged with oversight of the civilian intelligence service's activities did not function during the last couple of years,

www.a1.com.mk/vesti/default.aspx?VestID=104323>. All websites have been accessed on 19 October 2009.

³ See the Final Report on the 01 June 2008 Parliamentary Elections in the Republic of Macedonia, available at <<http://www.osce.org/item/32619.htm>>.

⁴ See OSCE/Office for Democratic Institutions and Human Rights, The Former Yugoslav Republic of Macedonia Presidential and Municipal Elections 22 March and 5 April 2009, Election Observation Mission Final Report. Warsaw, 30 June 2009, 1 and 4, available at <http://www.osce.org/documents/odihr/2009/06/38555_en.pdf>.

allowing a dramatic increase of spending in the budget laws for 2008 and 2009. Reforms aimed at adapting the Macedonian military to NATO standards have strengthened the democratic control of the military by the government.

In principle, the legal framework for the functioning of civil society is free of excessive state pressures and bureaucracy. The rights of political organizations and civic groups are respected. Besides the Constitution, the Law for Citizens Associations and Foundations, and other bylaws and regulations regulate the civil society sector. The Law for Citizens Associations and Foundations was adopted in July 1998 and amended in March 2007.⁵ One deficiency of the law is that it does not clarify the process by which organizations may be classified as being of public benefit. While there are no impediments made by the state on civic organizations, there are no tax breaks or other forms of legal assistance for them, either.

In principle, Article 16 of the Constitution guarantees freedom of speech and access to information.⁶ The Broadcasting Law and other laws meet most international standards.⁷ There is a diverse selection of printed and electronic sources of information at both national and local levels, representing a range of political viewpoints. While public broadcast services are influenced by the ruling coalition, the private media are mostly free of government influence. Yet commercial electronic media have links to political parties, and the latter often influence editorial politics. The current government budgeted substantial amounts in 2007 and 2008 for various public governmental campaigns, which can be interpreted as advertisements for the governing VMRO-DPMNE political party. A few television stations are considered to be politically influenced since the owners of these outlets are also the presidents of political parties. Ownership of the leading print media remains highly concentrated. Corporations that own print media also have alleged links to political leaders and the editorial independence of various newspapers is doubtful.⁸

Rule of Law

In Macedonia, power is divided among the three branches of government: the Parliament (*Sobranie*), the executive (the government with the president and premier), and the judiciary (Supreme Court, Constitutional Court, and the public

⁵ See Official Gazette of the Republic of Macedonia, n. 29, 9 March 2007.

⁶ See the Constitution of the Republic of Macedonia, available at <<http://www.sobranie.mk/en/default-en.asp?ItemID=9F7452BF44EE814B8DB897C1858B71FF>>.

⁷ See Commission of the European Communities, The Former Yugoslav Republic of Macedonia 2008 Progress Report. Brussels November 2008, available at <http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/the_former_yugoslav_republic_of_macedonia_progress_report_en.pdf>.

⁸ *Ibid.*, 60.

prosecutor). Even if Macedonia is a parliamentary democracy, in practice the executive strongly dominates the assembly by introducing laws to be adopted or amended. The control function of the parliament is not very strong. There are several reasons for this, with lack of competence as well as lack of administrative capacity to support the parliamentarians being the most important. In addition, political parties in power have often attempted to influence the judiciary. The system of checks and balances suffers from the low degree of professionalism in all branches of government.

Still, there are strong mitigating factors preventing the concentration of power in cases where a political party or coalition gains control (after elections) of both the legislature and the executive. First of all, the strong figure of the president works to balance the dominant tendency of the Prime Minister. This especially functions well when the president and the Prime Minister do not belong to the same party, as was the case during the period from 2007 to early 2009. The periods of cohabitation are frequently characterized by a critical stand, even antagonism, of the president on the workings of the government, and vice versa. Second, the Macedonian political system has an informal rule that the government be composed of a multiethnic coalition. Governing such a coalition requires advanced interpersonal skills and accommodation, which in turn necessitates much political maneuvering and compromise, making the concentration of power unfeasible.

The independence of the judiciary is formally guaranteed by law. Recent judiciary reforms have aimed at reducing instances of political influence on the judges, and at lessening the numbers of political appointments. Ever since the reforms were initiated in 2005, the independence and efficiency of the judiciary are gradually being strengthened. Still, the courts are overburdened with administrative work and are also expected to deal with a high number of misdemeanor cases and other trials that require law enforcement. In general, the efficiency of the judicial system, especially in the area of contract enforcement, influences the business environment and the country's attractiveness to foreign investment. The budgets of the courts are a problem. Some courts which were unable to cover their running costs and debts to utility companies needed additional funding from the state budget.⁹

Citizens have experienced a great deal of corruption since Macedonia's independence. Since 2002, the issue also ranks high on the political agenda. The government led by VMRO-DPMNE has claimed that fighting corruption is one of its priorities. There are a number of legal mechanisms that should prevent officeholders from abusing their positions. In 2008, the current leader of the opposition Socialdemocratic Union of Macedonia (*Socijaldemokratski sojuz*

⁹ Ibid., 57.

na Makedonija, SDSM), and mayor of Strumica, Zoran Zaev, was detained for misuse of public funds in the municipality, before being pardoned by president Crvenkovski.¹⁰ The high profile court case involving the former SDSM premier Vlado Buchkovski is pending resolution. Again in 2008, as in 2007, the government has been accused of selectively arresting and charging individuals in the opposition, while turning a blind eye to corruption scandals involving their own cadres. Nevertheless, Transparency International ranked Macedonia 72nd out of 180 countries surveyed in its 2008 Corruption Perceptions Index, which can be considered a significant improvement over Macedonia's ranking of 84th in 2007.¹¹

Civil liberties are respected in principle, yet especially the more volatile segments of the population are often denied their basic rights in this regard. The authorities' selective application of established law especially harms Roma and the poor. There have been complaints by individuals and nongovernmental organizations of instances of torture and abuse at the hands of the state security forces. Women have often been victims of domestic violence, sexual trafficking, and rape. Unfortunately, the Macedonian culture and society are male dominated. Most police officers are male, and they have generally not been sensitive to victims of domestic violence or sexual trafficking.

Stability of Democratic Institutions

The democratic state institutions perform their functions without major inter-institutional conflict. The financing of local government units and consequently their independence in relation to the central authorities has been deemed inadequate by ZELS, the association of local governments, however.¹² The relations between the VMRO-DPMNE-led central government and President Crvenkovski have again been characterized by a complicated cohabitation. The main opposition party, the Social Democratic Alliance of Macedonia (SDSM) and its coalition partners, boycotted the new Parliament from 17th July to 4th August 2008 in protest of the detention of Zoran Zaev, the president of

¹⁰ See Crvenkovski potpisha abolicija [Crvenkovski signs the decision on pardoning], *A1 News*, 07 August 2008, available at <<http://www.a1.com.mk/vesti/default.aspx?VestiID=95941>>.

¹¹ See the full listing available at <http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table>.

¹² See Sredba na UO na ZELS – Vlada na RM: Pozitiven odgovor na baranjata na opshinite [A meeting of the Executive Board of ZELS with the government: a positive response to the requests of the municipalities], 17 June 2009, *Zaednica na edinicite na lokalna samouprava na Republika Makedonija (ZELS)*, available at <<http://www.zels.org.mk>>; and the news on the stand of the newly founded Executive Board, *Prva Sednica na Upravniot Odbor na Zels* [First meeting of the Executive Board of ZELS] in the ZELS newsletter of May 2009, available *ibid*.

the party.¹³ In 2008, the Democratic Party of Albanians (*Partia Demokratike Shqiptare / Demokratska Partija na Albancite*, PDSH / DPA) also boycotted the new Parliament from its opening until October. The parliament adopted 172 laws between 17 July and 4 August with virtually no participation by deputies from the opposition parties by applying the emergency procedure.¹⁴ Many of these rashly enacted new laws and regulations are subject to still pending legal proceedings, or have been overruled by the Constitutional Court. The Child Protection Law, for example, was amended by the parliament at an emergency session on the 4th of August, 2008. The Constitutional Court annulled article 30, paragraph 1, of this law deeming that it violated the right to equality before the law.¹⁵

All influential political actors accept the democratic institutions in principle and regard them as legitimate. Since the implementation of the Ohrid Agreement, a series of political and constitutional reforms were designed to address ethnic Albanian demands for equal representation and status. The leaders of ethnic Albanian political parties, such as DUI and DPA, have problematized the political setup and the territorial integrity of the country.¹⁶ To protest specific police actions, veterans of the National Liberation Army have threatened to reestablish their Army.¹⁷

¹³ See the *Krizata so Neuchestvoto vo Parlamentot Nadminata* [The non-attending the parliament crisis overcome], *A1 news*, 3 August 2008, available at <<http://www.a1.com.mk/vesti/default.aspx?VestID=95969>>.

¹⁴ See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7).

¹⁵ See the court decision, available at <<http://www.usud.gov.mk/domino/WEBSUD.nsf/ffc0fee91d7bd9ac1256d280038c474/ea1a762233214296c1257590002b2843?OpenDocument>>.

¹⁶ See for example *Se povampiruvaat tezite za podelba na Makedonija* [The ideas to divide Macedonia are resurrected], *Utrinski Vesnik*, 21 September 2007, available at <<http://www.utrinski.com.mk/?ItemID=876D84092C36904E9154919F52FC033A>>; *Partijata na Ahmeti ne se zanimava so ferendumi* [Ahmet's party is not interested in the referendum], *Dnevnik*, 25 July 2006, available at <<http://www.dnevnik.com.mk/?itemID=46F63090B9067544969AFDBE36D75050&arc=1>>; *Najavi za Ulichni Protest ii Federalizacija* [Street Protests and Federalization Foreseen], *ibid.*, 3 August 2006, available at <<http://www.dnevnik.com.mk/?itemID=45230D111F33D14E8F042C4EF17C3F05&arc=1>>; as well as the interview with the leader of DUI, Ali Ahmeti, *Za federalizacija e toj shto gazi Albanski glasovi* [The federalists are those who stamp on the Albanian votes], *ibid.*, 24 May 2008, available at <<http://www.dnevnik.com.mk/?itemID=CE0F6CDF472A0F459D1D2AA1289B6225&arc=1>>.

¹⁷ See for example *Veteranite na ONA se zakanuvaat so napadi* [NLA veterans make attacking threats], *ibid.*, 8 January 2009, available at <<http://www.dnevnik.com.mk/?itemID=53C77A326BF2E74F81FC58DFB4FDBEDE&arc=1>>; *Priveduvanjetto na Alili go voznemiri zdruzenieto na ONA* [Detention of Alili disturbed the Association of NLA], *A1 news*, 2 November 2007, available at <<http://www.a1.com.mk/vesti/default.aspx?VestID=85697>>; also *Ubien komandirot na policiskata stanica vo Matejche* [The police commander of Matejche killed], *ibid.*, 10 September 2007, available at <<http://www.a1.com.mk/vesti/default.aspx?VestID=83679>>.

Political and Social Integration

The Macedonian party system reflects historical tendencies. The main political parties, the Social Democratic Alliance of Macedonia (SDSM) and the VMRO-DPMNE, were founded on the traditions of the League of Communists, as well as a historic organization linked with the Macedonian revolutionary/liberation/nationalist movement of the early 20th century. On the other hand, the leading political parties among Macedonian Albanians have been founded around the different ideas of how best to achieve political reforms to improve the status of the Albanian community. The ruling Macedonian Albanian party was founded as a successor of the National Liberation Army which had been created by radical Macedonian Albanians in the context of the Kosovo conflict. Ideological differences have not played an important role among the ethnic Albanian parties.

On the other hand, the SDSM and the VMRO-DPMNE have, in recent years, followed their respective ideological stance more closely than they did in the early 1990s. Since 1990, the party system has been relatively stable. The two main parties switched between government and opposition twice, and no new major players appeared on the scene. Polarization has been high among the parties representing the ethnic Albanian population, although relations between the SDSM and the VMRO-DPMNE have also been strained at times. It is difficult to see how the main political parties, be they Macedonian or Albanian, articulate and aggregate societal interests and mediate between the society and the state. Quite to the contrary, the perception among ordinary citizens is that the main political parties work on behalf of narrow, cliquish interests and are hardly concerned with the welfare of the societal groups they supposedly represent.¹⁸

The voices of interest groups are hardly heard. Trade unions have been under political influence for most of the period since independence, as a bulk of their income has been allocated from the central budget. The unions, once the major player and partner in the tripartite social dialogue, have lost much of their influence. The unions' recent fragmentation has not really helped their cause, either. Associations of businessmen are often consulted by the government. New policy measures are presented to them and comments welcomed. Yet, much of the policy making process of the government is unaffected by this policy dialogue.

Surveys of public opinion rarely evaluate the support for democracy in Macedonia, assuming that it is high. Yet citizens' trust in the institutional underpinnings of democracy has been very low. There is widespread disappointment with the way in which democratic norms are put into practice, and there is a low

¹⁸ See the results of the surveys of public opinion regarding the trust in political parties published in the UNDP Early Warning Report, available at <<http://europeandcis.undp.org/governance/show/A4CC9C11-F203-1EE9-B3F9C941DF6FA010>>.

level of trust in the government, the president, and the parliament. Compared to the 1990s, citizens have become somewhat alienated by the political process, and their participation in the 2008 parliamentary elections decreased to 57%.¹⁹

A big part of the Macedonian society functions through the use of social capital. Networking or using “connections” (*vrski*) is often necessary in order for one to complete even the simplest administrative tasks. The level of interpersonal trust is much higher among ethnic Albanians than among Macedonians. This divide is largely a result of the urbanization process that Macedonians went through since at least the late 1950s. Voluntary associations of citizens for purposes of self-help, as opposed to those primarily intended to further political objectives, are rare in Macedonia. Macedonia’s civil society is weak, relatively well differentiated and highly fragmented. In the last 18 years, the number and scope of NGOs in Macedonia have risen dramatically. Estimates have been made of some 5,500 NGOs present in the country. Many of these organizations deal with significant societal, political, and economic issues. In the last two years a number of pro-government NGOs has been established. Though Macedonia’s non-governmental sector is currently quite strong, many organizations are at the moment donor dependent and hardly sustainable in the long run.²⁰

Market Economy

Institutional Framework

The foundations of a competitive market economy are by and large present in Macedonia. The freedom of pricing, freedom to participate in the market and especially the freedom to set up a business are all assured, and the present government has actively worked on reducing entry and exit barriers to doing business. Despite legislative reforms and the reduction of social contributions and personal income tax rates, the informal sector remains large. Reforms of the judiciary are aimed at filling the gap between the regulations and their implementation. The government has also undertaken a “regulatory guillotine” program, which aims to streamline bureaucracy, especially as it applies to opening new businesses.²¹ Public institutions suffer from a number of deficiencies,

¹⁹ See the official election results, Republic of Macedonia State Election Commission, Early Parliamentary Elections 2008, available at <<http://www.sec.mk:90/english/files/results1506/ZbimiRezaultati2330English.pdf>>.

²⁰ See Zhidas DASKALOVSKI, Macedonia, in: Jeannette GOEHRING (ed.), *Nations in Transit 2007. Democratization from Central Europe to Eurasia*. New York 2007, 463-465.

²¹ See for example Startuvashе proektot “regulatorna gilotina” [The Regulatory Guillotine Project begins implementation], *A1 news*, 18 July 2007, available at <<http://www.a1.com.mk/vesti/default.asp?VestID=81766>>; Očekuvame nekolku silni svetski kompanii kako Johnsons Control [We expect several big world companies similar to Johnsons Control], *Kapital*, 1 Feb-

including widespread corruption and deficits in the rule of law. Macedonia is a member of the WTO and the CEFTA. The country has a very liberal trade environment and has been an EU candidate country since 2005.

There is a State Anti-Monopoly Commission especially designed to protect market competition. Yet in practice certain sectors have been for a long time left under the power of monopolies. The laws are applied only sporadically, while bureaucratic corruption still takes its toll. Preventing monopolies and cartels through an Anti-Monopoly Commission that is dependent on the Ministry of Finance has had mixed results in an environment with many public enterprises and publicly owned companies.²²

Foreign trade has been extensively deregulated, and there is no fundamental state intervention in free trade. This particularly applies to the treatment of foreign investments and stockholding. There are no restrictions or controls on payments, transactions, transfers, or repatriation of profits.

Macedonia has a solid capital market characterized by substantial foreign ownership of banks, low shares of nonperforming loans, and hard budget constraints between companies, banks and the public sector. A main problem for Macedonia's economic development remains the high costs of credit for medium and small sized firms. The government has tried to ease up access to capital for such enterprises, which comprise 99 % of the economy, by setting up a State Guarantee Fund.²³

In general, property rights and property acquisition are adequately defined with regard to the acquisition, use, benefits and sale of property. Yet exceptions occur especially in cases when restituted land or buildings are being acquired. Huge chunks of cities such as Čair/Çair in Skopje for example, and towns that have no urban plans have not defined land titles. Property rights are not adequately protected in practice, because the judicial and administrative systems are still weak, while the cooperation and coordination of various institutions such as the Notary, the Central Register, the courts and the cadastre is lacking. A reform of the cadastre is being undertaken.²⁴

The legal framework for a functional private sector exists in Macedonia. However, in order to make laws fully effective, a further strengthening of the

ruary 2007, available at <<http://www.kapital.com.mk/DesktopDefault.aspx?tabindex=0&tabid=65&EditionID=547&ArticleID=12022>>.

²² The value of state-owned assets stands at some 13 % of the GDP, with five state utilities alone accounting for some 12 % of the GDP. See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 26.

²³ See *Nov Garanten Fond* [New Guarantee Fund], *Kanal 5 news*, 20 May 2007, available at <<http://www.kanal5.com.mk/ShowNews.aspx?ItemID=21948&mid=1500&tabId=1&tabindex=0>>.

²⁴ The reform has been supported by the World Bank. See *Macedonia: Real Estate Cadastre and Registration Project*, available at <<http://go.worldbank.org/ZRWMWE8MY0>>.

court system is necessary. The present government has worked on this issue to a considerable degree. One can now register a company in a maximum of four hours.²⁵ The government has also proposed legislation that would establish a private credit bureau to simplify the loan procedure and to encourage credit growth.²⁶ Although private enterprises form the backbone of the national economy, a few public companies remain. Liberalization of certain sectors such as telecommunications has led to the lowering of prices for the consumers. The public enterprises for heating and water supply are monopolies. Despite the changes in the energy law, the electrical distribution company EVN has still no competition on the market.²⁷

Socioeconomic Performance

Macedonia's Human Development Index value for 2009 is 0.817, putting it in 72nd place internationally, a ranking that is only nine places lower than that of EU member Romania.²⁸ This indicates a relatively high level of development for Macedonia. Yet segments of the population live a miserable life, are socially excluded and marginalized. This applies to Roma and inhabitants of rural areas in particular. Social disparities are high between regions, with the capital Skopje outpacing by far the rest of the country.

The rate of inflation, which was in double digits during the early 1990s, has remained very low ever since. The Macedonian Central Bank is an independent institution with a strong governor. Since the mid 1990s, monetary policy continues to be based on a de facto near-peg of the denar to the euro. The peg has been maintained at approximately the same rate for nearly eleven years, only shaken temporarily during the recession 2001-2002. Foreign reserves have been growing. From 2005 to 2007, the central bank's gross reserves increased by € 400 million (almost 7 percent of the GDP).²⁹

Over the past decade, different governments have generally adhered to strict monetary and fiscal policies as advised by the International Monetary Fund.

²⁵ See Firmi ke se registriraat za 4 chasa [Company registration in four hours], *Utrinski Vesnik*, 21 July 2007, available at <<http://www.utrinski.com.mk/?ItemID=290C58B6A611DE46A2B039FBF19B887C>>; Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 26.

²⁶ See Credit Bureau Established to Protect Citizens From Heavy Debt, *Macedonian Information Agency*, without date, available at <<http://www.mia.com.mk/default.aspx?mId=100&vId=60316565&Id=2&title=TICKER>>.

²⁷ See the data on issued licences at the website of the Energy Regulatory Commission of the Republic Macedonia, available at <<http://www.erc.org.mk/vertikalEn.asp?verID=29>>.

²⁸ See the world ranking available at United Nations Development Programme (UNDP), *Human Development Report 2009 – HDI rankings*, available at <<http://hdr.undp.org/en/statistics/>>.

²⁹ See Economist Intelligence Unit, *Country Report Macedonia*. April 2008, 15.

Macedonia's debt is regularly serviced, the debts to the Paris and London Clubs of Loaners are already paid back in full. It is not clear how the new fiscal policies and the new budget will affect macro stability. The government intends to raise the fiscal deficit in the coming years. By January 2009, the international financial crisis had exerted only a very limited impact on the economy and its financial sector. However, the current account deficit has widened sharply, and has become the main risk to continued growth and macroeconomic stability.³⁰

Attracting foreign direct investments is key to the creation of new jobs since the local private sector is unable to do so on its own. The government has realized this and put foreign investment attraction high on the agenda. The public administration has been reorganized for this purpose, with two government ministers dedicated to the task. The rebranded "Invest in Macedonia"-Agency engaged in an aggressive campaign to attract foreign capital to the country.³¹ Parliament has approved a law allowing the creation of Technological Industrial Development Zones (TIDZs), which offer generous tax incentives to investors and promise simplified bureaucracy. Foreign direct investment has grown from 82 million U.S. dollars in 2002 to 321 million in 2007.³² Followed by rising levels of employment in the state administration, the labour market situation had slightly improved by January 2009, but unemployment was still at very high levels.³³

Welfare Regime

Since independence, the Macedonian welfare regime has been regulated by the Law on Social Welfare and the Law on Family.³⁴ The Ministry of Labor and Social Policy is responsible, through 39 district Centers for Social Work and Labor Offices, for employment and social welfare policy. The National Employment Bureau, the Pensions and Disability Fund, the Health Insurance Fund, and the Committee on Labor and Social Policy in the National Assembly are the other institutions of the government that deal with social assistance. Grow-

³⁰ See the report by Bert VAN SELM, Macedonia and the IMF in Turbulent Times. Remarks Prepared for the European Business Association / Konrad Adenauer Foundation, Skopje 8 April 2008 (Roundtable Discussion), available at <<http://www.imf.org/external/country/MKD/tr/2009/040809.pdf>>.

³¹ See Invest in Macedonia. Agency for Foreign Investments of the Republic of Macedonia, <<http://www.investinmacedonia.com/>>.

³² See Osnovni ekonomski indikatori za Republika Makedonija [Basic economic data for the Republic of Macedonia], National Bank of Macedonia, available at <<http://www.nbrm.gov.mk/WBStorage/Files/WEB%20Osnovni%20makroek%20indikatori%201993%202008%20mak.pdf>>.

³³ See the IMF's report Former Yugoslav Republic of Macedonia: Selected Issues, February 18, 2009, available at <<http://www.imf.org/external/pubs/ft/scr/2009/cr0961.pdf>> and EC Concerned Over Macedonia's Unemployment, *Balkan Insight*, 5th May 2009, available at <<http://www.balkaninsight.com/en/main/news/18643/>>.

³⁴ See the Official Gazette of the Republic of Macedonia, nos. 111/2005 and 83/2004.

ing needs, “declining resources and fragmented welfare delivery systems have made existing social policies inadequate and placed frontline social protection services under great pressure”.³⁵

Public social safety nets exist in Macedonia but they are not sufficient to compensate for poverty or other risks such as old age, illness, unemployment and disabilities. The persistence of the informal sector has further eroded the effectiveness of the social insurance system. Poverty is widespread among the unemployed who are often also uneducated and young. Roma are particularly disadvantaged. Many Macedonians rely on social safety nets comprised of family, clan or village structures. Although healthcare services are in theory available to all citizens, this sector is underfunded and therefore in a serious crisis, reflected the level of services offered. Patients are often asked to provide even the most basic medicines or medical appliances themselves. Macedonia has introduced a third, funded pillar to the pension system in 2009.

Equality of opportunity exists in theory for all citizens. Yet the uneducated, Roma, and women find it more difficult to succeed in life. Within the reforms envisioned in the Ohrid Agreement, a special program has quite successfully been implemented since 2001 to tackle the low participation of ethnic minorities, Albanians especially, in public administration. Besides the electoral requirement that at least 30 % of party nomination lists be comprised of women, there are hardly any mechanisms to promote women. Persons with disabilities or the socially disadvantaged have even fewer chances for advancement. Nepotism is a widespread phenomenon, and it undermines the equality of opportunity.

Sustainability

Waste management, deforestation, as well as air and water pollution are Macedonia’s primary environmental problems. Only one regional waste management facility exists (*JP Drisla*), and it is located near the capital. In the rest of the country, garbage is not properly collected or processed. For example, the garbage in Prilep, Tetovo and Ohrid is being burned. Environmental awareness in society at large and among lawmakers has grown in recent years, but it is still slight. Environmental concerns tend to take a back seat to growth considerations. There are few civic organizations in Macedonia dedicated to the environment, and they do not have much impact. In 2008, an ecological NGO in Veles protested against the selling and reopening of the local smelter plant.³⁶

³⁵ Simon MAURANO, *Welfare in the Mediterranean Countries: Republic of Macedonia*. Arco Felice 2005, 12.

³⁶ Protest protiv restartiranje na Veleshkata topilnica [Protest against the re-opening the Veles smelter plant], *A1 news*, 10 June 2008, available at <<http://www.a1.com.mk/vesti/default.aspx?VestiID=93994>>; Zelenite go zasiluvaat otporot protiv topilnicata [The Greens increase

Ecologically sustainable growth gets only scant attention and is not reflected in the institutional framework. Waste water treatment plants do not exist. Although in the cities sewage networks exist, waste water is simply collected and then released into rivers. There are rare exceptions, such as the Lake Ohrid Environment Protection Project which was supported by a donor's community. The project is not yet fully completed.³⁷

Education and training facilities are of very poor quality. Government spending on research and development is minimal. Education is a priority of the new government. In the process of luring foreign investors to do business in Macedonia, the government has realized that it needs an educated labour force. To increase the educational levels of Macedonian citizens, the government has opened a new public university, made secondary education mandatory for all citizens, and made plans to equip all schools with computers. Yet the Macedonian education sector continues to have many problems. The problems in this sector pose a significant obstacle to Macedonia's further development in all areas considered here. Quantitatively and qualitatively, investment in education, training, research and development is rather low.

Management

Level of Difficulty

Governance in Macedonia is constrained by severe structural difficulties. Macedonia was among the least developed regions of the former Yugoslavia, and its infrastructure still bears traits of backwardness, requiring massive investment in order to catch up with neighboring countries like Croatia or Greece. The country lacked infrastructure, technologies and skills for a rapid economic transformation. The collapse of Yugoslavia caused the country to lose its role in the division of labor among the former Yugoslav republics and its traditional intra-Yugoslav trade links. As a consequence, Macedonia went through painful adjustments on its way to a market based economy. Lacking high-quality education, many Macedonians with jobs in companies and branches sustained by the old system suddenly faced a loss of status and growing uncertainty about their career prospects. In addition, Macedonia is situated in a region characterized

the struggle against the opening of the smelter plant], *Utrinski Vesnik*, 6 June 2008, available at <<http://www.utrinski.com.mk/?ItemID=23753A8A74E9294A9FE3752AADA15A4>>.

³⁷ See Lirim SELFO / Dejan PANOVSKI, Lake Ohrid Conservation Project (Case Study on Monitoring & Evaluation), World Bank Global Environment Facility. October 16, 2000, available at <<http://www.iwlearn.net/publications/misc/forums/selfo.pdf>>; Zoran SPIRKOVSKI et al., The Monitoring Programme of the Lake Ohrid Conservation Project, in: Jacques GANOULIS / Irene L. MURPHY / Mitja BRILLY (eds.), *Transboundary Water Resources in the Balkans: Initiating a Sustainable Co-Operative Network*. Dordrecht 2000, 41-54.

by political instability and violent ethno-political conflict. Macedonian society is divided into distinct ethnic groups which require political leaders to accommodate the concerns of different communities and to bridge ethnic cleavages.³⁸

During Yugoslav communism, Macedonia's civil society was suppressed. Established citizens' institutions like the Association of Women of Macedonia or the Association of Youth of Macedonia cannot be characterized as true non-governmental institutions. In the 1980s, during the period of liberalization from communist rule, Macedonia witnessed the rise of a plethora of civic groups, movements, and associations. Following independence, opportunities for the development of civil society became real. Now, the state confirms the rights of the independent civic sector by law, but most NGOs depend on foreign donors. Local philanthropy and volunteerism are almost nonexistent, and the participation of religious groups in charitable activities is minimal.³⁹

Society and the political elite are polarized along ethnic lines. The promotion of multi-ethnicity, political moderation and tolerance are widely understood as being important characteristics of Macedonian politics. The national political system is currently free from such threats to stability as insurgency or war. Religious conflicts have occurred, but only within religious denominations, not between them. The Islamic and the Orthodox communities have both witnessed internal conflicts in recent times, reflecting occasional intraethnic political quarrels and party bickering. Although the social groups most hit by the economic transition have occasionally protested against government policies, these protests have been peaceful.

Steering Capability

In the period from 2007 to early 2009, Macedonia was governed by two different coalitions. The first coalition government (2006-2008) was led by VMRO-DPMNE and included the Democratic Party of Albanians as the main coalition partner, together with a number of smaller parties. Under the leadership of Prime Minister and VMRO-DPMNE chairman Nikola Gruevski, this coalition held 65 seats in the 120 seat national parliament. At the snap elections held in June 2008, VMRO-DPMNE single-handedly won over half of the seats in parliament – 63 out of 120 deputies – while the main opposition party, the Social Democratic Alliance of Macedonia (SDSM), came in a distant second with 28 seats. VMRO-DPMNE formed a new, oversized coalition by replacing the DPA with the strongest ethnic Albanian party, the Democratic Union of Integration

³⁸ See DASKALOVSKI, *Walking on the Edge* (above fn. 1).

³⁹ See DASKALOVSKI, *Macedonia* (above fn. 20), 460.

(DUI). This second coalition government was again led by Gruevski and set the same priorities.⁴⁰

Although the new government is reform oriented, few experts praised it for tact and diplomatic maneuvering in its relations with the Democratic Union for Integration (DUI).⁴¹ The main transformation goals of this government were NATO and EU integration, tackling the issues of unemployment and creating new jobs, increasing foreign direct investments, eliminating corruption, and strengthening the rule of law and the state. The EU did not grant Macedonia a date for the beginning of membership negotiations due to the slow pace of reform and election irregularities. Tensions between the largest ethnic Albanian party, the opposition Democratic Union for Integration (DUI), and the main ethnic Albanian party in the governing coalition, the Democratic Party of Albanians (DPA), were a significant constraint on progress in this regard. The temporary departure from government of the DPA in March 2008 and the four-month boycott of parliament by the DUI in early 2007 have highlighted the threat to stability posed by poor relations between the VMRO-DPMNE and ethnic Albanian parties.⁴²

As with a number of other countries in Eastern Europe, Macedonia's reforms in the last 15 years have been focused simultaneously on two issues – state building and setting up the legal basis for a functioning market economy.⁴³ During the reign of VMRO-DPMNE, the government has picked up the pace of its economic reforms at the expense of transparent, good governance. The fields of policy development, changes of legislation and state funds spending have suffered in particular during this period. The government drafted legislative amendments aimed at improving the business environment. Companies are now able to register in Macedonia more quickly as various aspects of the registration process have been simplified. The law on the real estate cadastre has been amended, resulting in a strengthening of the institutional set-up and requiring a formal decision on a registration request within 15 working days.⁴⁴

⁴⁰ See the official results at the website of the State Electoral Committee, available at <<http://www.sec.mk:90/index.php/2008-07-17-10-15-07>>.

⁴¹ See for example Tivka vojna pomegju VMRO-DPMNE i DUI [A quiet war between VMRO-DPMNE and DUI], *Vest*, 15 December 2008, available at <<http://star.vest.com.mk/default.asp?id=160927&idg=8&idb=2549&rubrika=Makedonija>>; Problemi vo koalicijata VMRO-DPMNE DUI [Problems in the coalition VMRO-DPMNE DUI], *Kanal 5 news*, 23 December 2008, available at <<http://www.kanal5.com.mk/ShowNews.aspx?ItemID=43385&mid=1500&tabId=1&tabindex=0>>.

⁴² See for example Economist Intelligence Unit, Country Report Macedonia. January 2009.

⁴³ See Jon ELSTER / Claus OFFE / Ulrich Klaus PREUSS, *Institutional Design in Post-Communist Societies*. Cambridge 1995.

⁴⁴ See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 26.

In 2008, there was further progress towards implementing the strategy for equitable representation of ethnic communities in the public sector, in particular as regards the Albanian community. In a number of ministries, the percentage of ethnic Albanian employees corresponds to the share of this population in the country in the census figures. Six of the 15 members of the Judicial Council and one of the six elected members of the Council of Public Prosecutors belong to non-majority communities.⁴⁵ In 2008, the Department for the Implementation of the Ohrid Agreement in the government was upgraded to a secretariat. In addition, a law on the use of languages spoken by at least 20 % of citizens was adopted in August 2008, clarifying and extending the allowed uses of non-majority languages at all levels of state and local self-government.⁴⁶

Macedonian policymakers rarely recognize that their previous policy has failed. Since VMRO-DPMNE has led the government, some innovative policies have been implemented. Based on pro-market solutions, the government has chosen the tools and strategies it will use, and decided how to organize and sequence reforms. Reforms propagating pro-market solutions have been enacted in various sectors. Yet there have been many failures. For example, the Parliament that came about after the early elections in June 2008 enacted 172 laws by 4th August. All of these laws were enacted by emergency procedure, and mainly in the complete absence of opposition MPs.⁴⁷ Thus, the governing coalition chose to ignore potentially helpful feedback and potentially constructive suggestions that could have emerged from a broader consultation on the legislation. The lack of political dialogue between government and opposition is constantly criticized both by the U.S. and the EU.

Resource Efficiency

The VMRO-DPMNE government has made attempts to make use of the available economic, cultural and human resources to pursue its transformation policy. The government's efficiency suffers from a huge public administration that is poorly paid and often lacking the skills to conduct reforms. Macedonia has a manageable level of state debt, moderately effective auditing and moderately transparent budget planning and implementation. The biggest deviation of actual budget expenditures from planned expenditures is related to capital investments. In some cases, slow legal procedures and the fragmentation of

⁴⁵ *Ibid.*, 20.

⁴⁶ See Usvoen Zakonot za Upotreba na Jazicite [The Law on the use of non-majority languages adopted], *A1 news*, 25 July 2008, available at <<http://www.a1.com.mk/vesti/default.aspx?VestiID=95671>>.

⁴⁷ Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 9.

responsibilities between the central and local governments impede FDI. The fact that program budgeting has not yet been introduced in the local government units remains a problem. Citizens and investors complain that the procedures for issuing construction permits are overly protracted and subject to the excessive discretion of municipal authorities. Such a practice leads to problems of construction without proper permits.⁴⁸

The government coalition is comprised of political forces whose ideological standpoints are quite similar to one another. While the leading VMRO-DPMNE is a right-wing Christian-Democratic Party with observer status in the European Peoples Party, DUI caters to the interests of the Albanian electorate in Macedonia and is not very interested in left- and right-wing ideologies. The government ministries in charge of development and the economy are held by VMRO-DPMNE. On the other hand, co-ordination between the central and the local government is often poor. Finally, the coordination between president and the government regarding foreign affairs has varied. In 2008, the prime minister and president met regularly to discuss a joint stance on foreign policy. There has been much disagreement about how to reach an agreement in the UN talks on the name issue, however. Furthermore, the president pleaded against the dissolution of the parliament prior to the June snap elections, while the government strongly favored this decision.⁴⁹

One of the main policies of the government has been to successfully tackle corruption. Following the early elections, the new government continued fighting corruption. Yet, different domestic and international reports and surveys indicate that the Government is often using various methods to fight public perceptions, rather than the very matter of corruption. The Code of Criminal Procedure and the Law on the Monitoring of Communications were amended to enable the police to use special investigative measures for a wider range of cases where corruption is suspected.⁵⁰ The various law enforcement agencies demonstrated a clear determination to cooperate and coordinate. The 2008 Progress Report on Macedonia by the Commission of the European Communities noted that the Judicial Council continued its efforts to combat corruption and ensure impartiality.⁵¹ Thanks to the work of the previously mentioned State Anti-Corruption Commission, the accountability of officeholders has risen (at least

⁴⁸ See Center for Research and Policy Making, *Property Devolution in Macedonia: Issues and Challenges Ahead*. June 2008.

⁴⁹ See Crvenkovski Urges Macedonian Parliament to Scrap Early Election Plan, *SETimes.com*, 11 April 2008, available at <http://www.setimes.com/cocoon/setimes/xhtml/en_GB/newsbriefs/setimes/newsbriefs/2008/04/11/nb-07>.

⁵⁰ See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 14.

⁵¹ See *Ibid*, 56.

as far as asset declarations are concerned). Macedonia has a code of conduct for its administration as well as formally transparent public procurement systems.

Consensus-Building

In Macedonia, all significant political and social actors agree that the development of a stable market-based democracy should be a strategic long term aim. All parties agree that Macedonia should become a member of EU and NATO, although their ideas on how to reach that goal vary considerably.

Macedonia's political leadership's record in managing the main political cleavage since the Ohrid Framework Agreement is improving. For example, the VMRO-DPMNE decided to include an ethnic Albanian party in its government even after the VMRO-DPMNE had won an absolute majority in the 2008 elections. Based on this affirmative action principle, one gets the idea that Macedonia strives to integrate the interests of different segments of the population into the mainstream. On the other hand, some view the collapse of the first VMRO-DPMNE-led coalition government as a consequence of a conflict between VMRO-DPMNE and DPA over the recognition of Kosovo, the introduction of Albanian as a second official language, public sector employment of Albanians, and the status of NLA veterans. Political decentralization has helped the process as ethnic minorities now have a stronger say in local matters.⁵²

Macedonia's political leadership generally ignores civil society actors. The rise of the think tank sector has proven difficult to overlook, however, as numerous analyses, surveys and commentaries are produced by experts in such civic organizations. In 2008, the active involvement of NGOs in public policy-making and reforms has grown, and has also developed in terms of quality. The members of the think tank network established in December 2006 provide reports and trainings founded on solid, evidence-based research and analyses.⁵³ Nevertheless, although the government respects the right to form and join civil society organizations, including free trade unions, it is hardly receptive to policy advocacy by interest groups, policy research centers, and other nonprofit organizations. Government officials rarely engage civil society groups by inviting them to comment on or otherwise influence pending policies or legislation.⁵⁴

⁵² See Dane TALESKI, *Decentralisation in the Republic of Macedonia. The Last Step Across the Abyss*, SWP Working Paper. Berlin September 2005, available at <http://www.swp-berlin.org/common/get_document.php?asset_id=2464>.

⁵³ See for example the analyses and other products of the Center for Research and Policy Making available at <<http://www.crpm.org.mk>>, or those of the Center for Economic Analyses, available at <<http://www.cea.org.mk>>.

⁵⁴ See for example the debate between civil society organizations and the government, Civic World, *A Public Debate. Proposal Strategy for Cooperation with the Civil Sector*, available at <<http://www.civicworld.org.mk/?ItemID=191E39822A9DE94B924C952541C1300B>>.

In 2008, lustration was on the agenda in Macedonia. A commission has been formed to investigate whether public officeholders were members of the Communist-era secret services.⁵⁵ On the other hand, a number of crimes committed during the warlike crisis in 2001 merit the attention of the public. At least one of the four cases from Macedonia investigated by the Hague Tribunal falls in this category.⁵⁶ It is difficult to imagine a reconciliation between the perpetrators and victims of past injustices beyond the Macedonian Amnesty Law, which pardoned all members of the National Liberation Army for all deeds except those that fall under the jurisdiction of the Hague Tribunal.

International Cooperation

The new government promotes Macedonia as a hot place to invest and as a reliable international partner in the Balkan region. It works closely with international donors and generally uses international support to improve its policies. However, in the past co-operation with international agencies such as the World Bank has not always facilitated significant policy learning and improvement. The World Bank's aid in the reform of the health sector is a pivotal example of Macedonia's failures to transfer policy knowledge to local institutions. Expert help is provided by various EU agencies and programs and partner countries such as Slovenia.⁵⁷

The EU accession process is a strong impetus in reforming the public administration. The Macedonian political leadership works with bilateral or multilateral international donors and makes use of international assistance. Besides the Greek objections, the EU reluctance to start accession negotiations was motivated by

⁵⁵ Agimi Mehmeti prv pretsedatel na komisijata za lustracija [Agim Mehmeti elected the first president of the lustration Commission], *A1 news*, 12 January 2009, available at <<http://www.a1.com.mk/vesti/default.asp?VestID=102925>>.

⁵⁶ The defendants in the case "Mavrovo construction workers" are charged with war crimes against civilians. They allegedly kidnapped and molested five workers of the construction company "Mavrovo" near the village of Grupcin on 7 August 2001. For more details on the activities of the National Liberation Army see Zhidas DASKALOVSKI, *The Macedonian Conflict of 2001: Between Successful Diplomacy, Rhetoric and Terror*, Studies in Post-Communism Occasional Papers. Antigonish 2004.

⁵⁷ The European Agency for Reconstruction and the EU Mission to Macedonia have been administering the technical assistance programs, see European Commission, Former Yugoslav Republic of Macedonia, Justice & Home Affairs, € 65.1 million, available at <http://ec.europa.eu/enlargement/archives/ear/sectors/main/sec-justice_home_affairs_mac.htm>. Slovenia provides Macedonia with assistance in achieving EU standards and accession to the EU, including business reform, privatisation, macroeconomic management, public administration improvement and reform. See for example the news on the Programme of Cooperation Between Slovenia and Macedonia in the Field of European Affairs for 2008 and 2009, available at <<http://www.svrez.gov.si/nc/en/splosno/cns/news/article/2028/1817/>>.

doubts about the stability of Macedonian democracy and some concerns over the credibility of Macedonian reform policies.⁵⁸

On the whole, political actors strive to build and expand cooperative international relationships. Macedonia's willingness to cooperate with neighboring countries in regional and international organizations is hindered by the persistent nationalistic Greek objections to the name of the country used in international forums. Macedonia has fulfilled the criteria for NATO membership, but was not invited to join the Alliance due to the Greek objections to its name.⁵⁹ These obstacles do not prevent the Macedonian leadership from pursuing cooperation with Greece in various spheres, in particular the economy. Similarly, despite Bulgaria's illiberal treatment of the Macedonian minority, the leaders of the two countries have developed cordial relations. Macedonian political leaders cooperated well with Albania in the common struggle to join NATO. As of 2006, Macedonia, together with its Western Balkan neighbors, is officially a member of CEFTA.

Strategic Outlook

In 2009, Macedonia faced increasing tensions within its government coalition. The ethnic Albanian coalition partner was under pressure to leave the government, which is not able to further pursue Macedonia's integration into NATO and the EU. Macedonia continues to implement the Ohrid Framework Agreement agenda, and the affirmative action program aimed at increasing the number of the members of the ethnic groups in the public administration.⁶⁰ Developments in Kosovo negatively affected interethnic relations in the country.⁶¹ The government is also under pressure to continue economic reforms and achieve stronger growth levels. Yet the state of the economy is affected by the world financial crisis. Democratic presidential and local elections were held at the end of March and early April 2009, confirming the European perspectives of the country. A peaceful election was seen as crucial for Macedonia's drive to join the EU and NATO, after irregularities had marred last year's parliamen-

⁵⁸ See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7).

⁵⁹ See the statement of the NATO Secretary-General Jaap de Hoop Scheffer on 3 April 2008, Bucharest Summit Declaration Issued by the Heads of State and Government Participating in the Meeting of the North Atlantic Council in Bucharest on 3 April 2008, available at <http://www.summitbucharest.ro/en/doc_201.html>.

⁶⁰ See Commission of the European Communities, *The Former Yugoslav Republic of Macedonia 2008 Progress Report* (above fn. 7), 19.

⁶¹ See Biljana VANKOVSKA, *KOSOVO: Macedonia's Perspectives*, *Südosteuropa* 56 (2008), n. 3, 412-417.

tary election.⁶² Further harmonizing of Macedonian legislation with EU law is expected, as well as full EU visa liberalization. This measure would boost the mood among the country's population and its frequently traveling elites. The EU and other Western states and organizations should continue to provide political support and financial assistance to Macedonia until economic recovery picks up its pace. Despite the Greek objections, giving Macedonia a date for the start of the EU negotiations or NATO membership would not only help the reformist agenda of the government but would also be a stabilizing sign for the region itself. Following the *de facto* Greek veto of Macedonian NATO membership at the NATO Summit in Bucharest, Macedonia has appealed to the International Court of Justice, to rule on whether Greece has violated the terms of the 1995 Interim Agreement which stipulates that Athens would not block the admission of Skopje to international organizations so long as it used the "former Yugoslav Republic of Macedonia" moniker that it has used within the UN.⁶³ The longer the Euro-Atlantic integration drive of Macedonia is put on hold, the larger the rift between the Macedonians and ethnic Albanians will be. The difficult global economic future places Macedonia's economic recovery in doubt as well. Considering these two factors, there are serious reasons to worry about the consolidation of the country. A potential destabilization of Macedonia would have dire consequences for the entire Western Balkan region.

⁶² See Conservative Leads Macedonia Poll, *BBC news*, 23 March 2009, available at <<http://news.bbc.co.uk/2/hi/europe/7957494.stm>>.

⁶³ See Article 11 of this agreement, available at <http://untreaty.un.org/unts/120001_144071/6/3/00004456.pdf>.