



Center for Research and Policy Making

Occasional Paper N. 10

THE MACEDONIAN ACCESSION TO THE EUROPEAN UNION

January 2007
Skopje, Macedonia



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"Europa," as the more learned of the ancient Greeks first conceived it, stood in sharp contrast to both Asia and Libya, the name then applied to the known northern part of Africa. Literally, "Europa" is now thought to have meant "Mainland," rather than the earlier interpretation, "Sunset." It appears to have suggested itself to the Greeks, in their maritime world, as an appropriate designation of the broadening, extensive northerly lands that lay beyond, lands with characteristics but vaguely known; yet these characteristics were clearly different from those inherent in the concepts of Asia and Libya, both of which, relatively prosperous and civilized, were associated closely with the culture of the Greeks and their predecessors.

Source: Encyclopedia Britannica

The EU and Macedonia (Western Balkans) - State of Affairs

1.1. EU Integration Process of Macedonia

Since 17th December 2005, Macedonia is a candidate country for EU accession. This has been a great achievement for a country that faced many challenges on its path acquiring the candidate status. Since its independence Macedonia experienced a Greek embargo (1993-5), suffered losses due to the UN sanctions against Serbia and the Kosovo crisis of 1999. Only after the country peacefully ended an interethnic conflict in 2001 it regained the support of the EU. Today “Macedonia in Europe” is a goal supported by all ethnic communities in Macedonia. Various surveys (polls)¹ show that the EU integration is the common goal which unites all citizens of Macedonia regardless of their ethnicity, political orientation, social status etc.

The Macedonian EU integration is marked by the following milestones:

- Macedonia was the first country that has signed the Stabilization and Association Agreement on 9th April 2001 in Luxembourg (SAP); it was ratified by the Macedonian Parliament on 1st June 2001, but came into effect on 1st April 2004, when all the member states of EU ratified it²
- On 22nd March 2004 Macedonia submitted its request for membership in the European Union³

¹ <http://www.sei.gov.mk/portal/mak/default.asp?id=88976>;

<http://www.sei.gov.mk/portal/mak/default.asp?id=10>

² Macedonia in the EU; Government of the Republic of Macedonia, pp.12, 13.

³ Macedonia in the EU; Government of the Republic of Macedonia, page 13.

- On 1st October 2004 the European Commission submitted to the Government of Macedonia a Questionnaire⁴
- The Government of Macedonia returned the answered EC Questionnaire on 14th February 2005 to the President of the European Commission⁵
- On 9th November 2005 the Commission issued an opinion on the Macedonian application recommending a candidate status for Macedonia⁶
- On 17th December 2005 the EU Council granted Macedonia a candidate status for EU membership⁷

a) The Macedonian “To Do List”

The EU opened its doors to Macedonia and the Western Balkan countries⁸ in 1997 when the Union established a regional approach as a basic framework for its relationship with the Western Balkans, which meant that besides the fulfillment of the EU Copenhagen Criteria, the countries would have to meet an additional condition: an established regional cooperation. At the same time it was proclaimed that each country will be evaluated in accordance with its individual achievements. Thus, while the European Integration of the Balkans would have to go through a regional integration first, the countries will become EU members one by one according to their success in meeting the EU criteria.

⁴ Ibid

⁵ Ibid

⁶ http://ec.europa.eu/enlargement/the_former_yugoslav_republic_of_macedonia/key_documents_en.htm#elarg_pck_2005

⁷ <http://www.vlada.mk/Informacii/Dekemvri2005/i17-12-2005.htm>

⁸ The Western Balkan countries are: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia (Kosovo).

The Thessalonica Summit in July 2003, seen as “a milestone in the European Union’s relations with the Western Balkans”⁹, gave an unambiguous sign to the Western Balkan countries that if all conditions are met their future will be a European one. At that summit a new European Partnership was offered to the Balkan countries. It was, however, stressed that the framework set by the Stabilization and Association Process (SAP) would remain central, and compatible with the European Partnership.

Macedonia has Stabilization and Association Agreement with the EU for six years now and its progress is evaluated on yearly basis. Since the first report produced in 2002 when Macedonia scored well only in the area of regional cooperation and good neighboring relations, a trend which continued to be positively noticed in the other reports, the main progress noted in subsequent years was related to the political situation assessed as generally stable and successful in terms of the implementation of the 2001 Ohrid Framework Agreement. Certain progress in the public administration reform, management of public finances (noted as a priority in the previous reports), and the reform of the army, has been also achieved. Still, the main weaknesses such as the incomplete reform of the judicial system, the problems with the rule of law, corruption, and the economy (high level of unemployment and low investments) remained.¹⁰

The approximation of the Macedonian legislation with the EU laws is another priority area. For that purpose the National Program for Approximation of Legislation was adopted in April 2003 and a Working Committee for European Integration was established in March 2003. A subcommittee for approximation to the EU legislation established Working Groups for Harmonization of Legislation with the “community acquis.”¹¹ Moreover, since October 2003 a

⁹ http://www.europa-eu-un.org/articles/en/article_2444_en.htm

¹⁰ See the Stabilization and Association Report 2004, European Commission; Stabilization and Association Report 2003, European Commission

¹¹ Stabilization and Association Report 2004, European Commission

“Statement on Compliance with EU Legislation” must accompany each draft of a new law or policy thus directly supporting the harmonization of the Macedonian legislation and policies to the EU acquis. The general assessment of the EC is that Macedonia is making progress in the approximation of the legislation.¹²

In addition to the SAA, the European Partnership¹³ introduced at the Thessaloniki Summit was promoted as additional and compatible mode for realization of the European perspective of the Balkan countries within the framework of the stabilization and association process. The first European Partnership with Macedonia was adopted by the Council in 2004 and it was updated since with new priorities that have emerged. In that direction, in January 2006, an action plan for the European Partnership 2005¹⁴ was adopted promoting actions based on the Opinion of the European Commission and the Analytical Report for the Opinion on the membership application of Macedonia. The organization of the priorities was divided in two groups:

- Short term priorities (one year time line), focused on the reforms and organization of the electoral process for the parliamentary elections held on 5th July 2006.
- Medium term priorities were laid down with the action plan for the European Partnership (on 4th July 2006) referring to important and urgent reforms in the Police sector, the rule of law, the economic environment, the approximation of the legislation to the EU law and standards and the strengthening of the administrative capacity.

¹² Teresa Cierco, “Stabilizing Macedonia: The Key Role of the European Union”, paper presented at the annual meeting of the International Studies Association, Town & Country Resort and Convention Center, San Diego, California, USA, 22nd March, 2006, page 10.

¹³http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32006D0057&model=guichett

¹⁴ <http://www.sep.gov.mk/Documents/eip/jordan-radF0E2B-1.PDF>

The obligation to translate the *acquis* should be mentioned in this context. The Committee for Translation of the legal instruments has the main task in this field. Until now, 3500 pages have been translated with technical help obtained through the projects PRAQIII and GTZ. A future translation of another 8000 legal instruments is planned.¹⁵ The point of this is that every country before its accession to the EU has to adopt some 80,000 pages of EU legislation.

b) The EU “Unfinished Business” in the Western Balkans

One of the main obstacles in the Europeanization process of the Western Balkan countries is the EU visa regime. This is a great limitation to travel, to seeing, learning and absorbing the positive experiences of the European Union. Although the EU is investing a lot in the reforms of these countries, it will not be enough if the citizens of these countries remain closed in a “Balkan ghetto.” All EU member states have imposed a visa regime on the countries of the Western Balkan (except Croatia). The two countries that joined the EU in 2007, Bulgaria and Romania, since 1st January 2007, also require Western Balkan citizens visas to enter. That means that the “hoop” around the Western Balkans is narrowing. The frustrations felt from the isolation among the citizens of these countries are growing. Although the purpose of a visa regime is prevention of organized crime, law abiding citizens of the Western Balkan countries are mainly those that face limitations on their travel opportunities to pursue education and business within the EU.

¹⁵ <http://www.sei.gov.mk/portal/mak/default.asp?id=7>

Many analysts and reports, including the most recent ones of the International Crisis Group¹⁶ point out that the visa regime has a negative impact on the motivation and the energy of these countries in the process of reforming trade, the economy in general, and education and might have a negative impact on the regional stability. Knowing this, the EU made a promise at the Thessalonica Summit to liberalize the visa regime for the Western Balkan countries. This however, has not yet shown concrete results. The situation is especially irritating to the citizens from the Western Balkans because the EU has started a negotiation process on visa facilitation with Russia, Ukraine and China.

Positive signals on the liberalization of the visa regime for Macedonia, were sent during the Finish Presidency of the EU (From 1st of July until 31st December 2006), as it is to be the first country from the Western Balkans to start negotiations for visa facilitation.¹⁷ The liberalization would however not mean abolishment of the visas for the Macedonian citizens, but the introduction of simpler/easier procedures to obtain visas. That is supposed to be the first step toward the abolishment of the visa regime for the Macedonian citizens. Macedonia should fulfill the following conditions in order to be eligible for visa facilitation: integrated border administration and electronic management system, it should sign re-admission agreements with all EU member states and improve the quality of the passports¹⁸. Macedonia has signed 13 re-admission agreements until now. Four countries have stated that concluding such agreements with Macedonia is not necessary, due to the insignificant numbers of immigrants. Re-admission agreements with Sweden, Norway, Ukraine and Bosnia and Herzegovina are expected to be signed in the forthcoming period.¹⁹ Regarding the integrated border administration a significant progress is achieved since the police have taken over the control of all the borders. The Common Platform regarding the border control adopted on

¹⁶ <http://www.google.com/u/crisisgroup?q=visa+regime&ie=UTF-8>

¹⁷ <http://www.a1.com.mk/vesti/default.asp?VestID=65644>

¹⁸ <http://www.sobranie.mk/uploads/soopstenie%20Teuta.doc>

¹⁹ www.sei.gov.mk/portal/mak/bilten/MONTHLY%20PROGRES%20BRIEF_June%2006.pdf

22nd May 2003 in Ohrid moved things toward bringing the new law for the control of the borders, in compliance with the EU standards in this area. Moreover, a new Police Law was adopted by the Parliament in October 2006.

The rules of origin appear as other “unfinished business” of the EU in the Balkans. The rules of origin define the “nationality”, the origin of the goods in the international trade. There exist two types of rules of origin: non preferential rules and preferential rules. In the focus of interest of the Western Balkan countries are the preferential rules. At present, there are two distinct types of EU agreements with the countries in the Western Balkans, granting them free access to the Community market for almost all products, with only a few exceptions: autonomous trade measures - ATMs (in the case of Bosnia and Herzegovina, Kosovo and Serbia and Montenegro); the Stabilization and Association Agreement (for Albania, Croatia and Macedonia). These agreements do not regulate the system of regional and diagonal cumulation and thus the countries have different rules of origin regime when exporting to the EU. All the SAP countries did not succeed to take full advantage of the asymmetric trade liberalization with the EU the reasons being besides the lack of productive capacity, the insufficient ability to comply with EU quality standards, and the non- participation in Pan-European Diagonal Cumulation of Rules of Origin.

Macedonia and the rest of the countries in the Western Balkan region are not members of the Pan-European Association of Diagonal Cumulation, whereas Turkey, Romania and Bulgaria are. Their products have preferential treatment when exported to the EU. As a result, if a Macedonian manufacturer imports fabrics from Serbia or Bosnia the final products are not being considered as originating in Macedonia if exported to the EU and thus s/he will be required to pay 12% custom fee, as neither Serbia, Bosnia, nor Macedonia are members of the system for diagonal cumulation. Whereas, if the Macedonian manufacturer imports certain fabrics from other country with which Macedonia

has signed Free Trade Agreement (e.g. Bulgaria) the final product can be treated as originating in Macedonia if that product is exported in the same country (principle of bilateral cummulation).

Therefore, the leaders of the Western Balkan countries agreed that the membership in the Pan-European association of diagonal cummulation would help the further development of their economies:

*“We are confident that the full and efficient implementation of the network of bilateral free trade agreements combined with further trade liberalization and facilitation measures, will contribute to sustainable economic growth in the region. Given progress to date, we believe that the possibility of moving to a single free trade framework should be fully explored. In this context, we welcome the European Commission’s proposal to extend the Pan-European diagonal cummulation of origin to the countries of the Stabilization and Association Process in a manner consistent with all relevant Community Policies and dependent on their administrative capacity.”*²⁰

Within the Pan-European system a manufacturer can use any originating input (raw material or component) from the area in the manufacture of finished products, without running the risk of losing free trade status if it is exported within the area. For example, a manufacturer in Macedonia would be able to source all materials from Bulgaria and export the finished products not only back to Bulgaria, but also to all EFTA countries. The objective of the system is to create an incentive for cooperation between industries and to promote the international division of labor. If the Western Balkan countries were treated as one region for the purposes of EU rules of origin or are members of the Pan - European diagonal cummulation, the rules of origin would not be a hidden trade barrier to the Macedonian industry because Macedonian products would

²⁰ See Joint Statement of the Ministers of Foreign Affairs of the South East European Co-operation process (SEECp), June 9th 2003, Sarajevo

cumulate origin, when using raw materials from Turkey for example, and be exported to the EU without having to pay additional 12% of custom fees.

At the Thessalonica Summit (19-20 June 2003) the leaders of the EU member states agreed upon the strategy of the Union towards the Western Balkan countries. One of the items on the Thessalonica agenda was the idea of extension of the system of diagonal cumulation to the Western Balkan countries:

“Only when the necessary conditions are fulfilled and the administrative arrangements are in place an extension of the Pan-European system of diagonal cumulation of origin to the Western Balkans could be envisaged, which would then further facilitate reaping the full benefits of regional trade integration. If any such extension were to be envisaged, it should be applied in a manner, which is fully consistent with all relevant community policies.”²¹

The Macedonian Government and the producers are aware of the need for the Macedonian industrial production to be improved. One of the factors for the upgrade to be achieved is for the country to become a member of the Association for diagonal cumulation, so that for example, the Macedonian clothing will have a preferential treatment. The Government has put all its efforts to build an administrative capacity for assuming this function and the European Commission, at the first meeting with the Macedonian authorities within the Committee for Stabilization and Association of Macedonia (held on 3rd June 2004), noted that *“Macedonia fulfilled the conditions for accession to the system which was particularly necessary for the encouragement of foreign investment and the increase of export.”*²² Furthermore, the minutes of this meeting emphasize that *“there was a delay in the implementation of this item*

²¹ See The Stabilization and Association Process for South East Europe, *Second Annual Report*, Commission of the European Communities
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN012924.pdf>, last visited 15.12.2005

²² Minutes of the 1st meeting of the European Community - the former Yugoslav Republic of Macedonia Stabilization and Association Committee, Skopje, 3 June 2004, page 14

of the Thessalonica Agenda, but the responsibility for the slow progress was entirely on the European Commission."²³

When it was expected for the Union to initiate an extension of the system for diagonal cummulation and invite Macedonia to become a member, something unexpected happened. The European Commission recommended and the European Council decided on 11th October, 2005 to extend the Pan European Association for diagonal cumulation to the Mediterranean countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia and the Palestinian territory - West Bank Gaza. With this a Pan Euro Mediterranean Association of diagonal cummulation was established, excluding the Western Balkan countries. Sources in the European Commission that the Center for Research and Policy Making consulted say that this decision was made under strong pressure from the diplomacies of the Mediterranean countries, as well as the clothing producers and the powerful European clothing retailers, who lobbied actively in the EU for this decision to be made.

This decision gives the products from the Mediterranean countries a preferential treatment, whereas those coming from the Western Balkan countries, which traditionally belongs to Europe and has European future, will continue to be charged with 12% custom fees when using raw materials from countries such as Turkey. As a kind of compensation to the two countries that have Agreements for Stabilization and Association and are candidates to become EU member states, Croatia and Macedonia, the EU offered an agreement for sub-regional diagonal cummulation between them. But this system will have little, if at all, value for Macedonia as the amount of the raw materials its producers source from Croatia is very small.

²³ Ibid.

The EU and the Balkans

2.1. EU Security Role in the Balkans

The stability of the Balkans is an important goal to be achieved and maintained not just by the Balkan countries but also by the European Union. EU wants to deal with every potential and current threat to its stability, and the Balkans, since the breakdown of Yugoslavia, are seen as a problematic region. The stability of the Balkan region is set as a strategic objective of EU. The EU interest and involvement in the Balkans began since 1991 and the disintegration of former Yugoslavia. That was also a great challenge for the European Union, a completely new experience for the EU institutions to deal with. The involvement in the “Balkan story” did not only mean the EU influence on the stability of the region grew, but it was also a “capacity building” lesson for the EU’s common security and foreign policy.

The European Union has invested great energy and finances in the stabilization of the Balkan countries. Through its aid programs the EU has provided more than 6.1 billion euros between 1991 and 2001²⁴ for the Balkan countries. After the NATO intervention in Kosovo in 1999, the EU felt that a more serious and long term approach was needed for the Balkan challenge, and for that purpose the Stability Pact was established.²⁵ The crises in the beginning of the 1990’s, and the crisis in Kosovo were important experiences for the European Union and a key moment for EU to understand the situation, to adapt and perform its

²⁴ See Hajnalka Vincze, “A stronger military role for the EU in the Balkan?”, in Joachim Krause et al, *Unraveling the European Security and Defense Policy Conundrum*, Peter Lang: Bern 2003, page 149.

²⁵ Ibid.

role as stabilizer of the region better. The necessity for the EU to play more active role that needs different organization and perception of the security mission on the Balkans grew further after the terrorist attacks of 11th September 2001 and the withdrawal of the US troops from the region because of the new circumstances and the new priorities that US faced after that date. EU understood the importance of improvement of its crisis management and finally saw the need of the military component in its approach. In that context, Macedonia was the test where the improved crisis management of EU passed with a positive grade. That was the first time when the Union was proactively engaged in security affairs, covering variety of tasks from policing to military intervention²⁶.

The Yugoslav conflict showed the main weaknesses of the EU approach regarding the misbalance of “hard power” (military) and “soft power” (non military). The lack of necessary coherence between diplomacy, coercive diplomacy and use of force, and the credible threat of use of force, was stressed as a great problem of the EU.²⁷ However, it was not easy for the Union to achieve its more active security role in the region. It must not be forgotten that the European Union today has 27 member states, and in that context it is hard for so many voices to be articulated into one. Some of the member states are not so interested the Union to have so active security role outside its borders, or at least have different views about the military involvement of the Union in the security tasks.

The gained experience from the crises in the Balkans, forced the EU to take more concrete measures in improving and rapidly developing its crisis management capacities. The following European Council meetings: Helsinki (December 1999), Santa Maria da Feira (May 2000), Nice (December 2000) and Gothenburg (June 2001) led to significant changes in the Common Foreign and

²⁶ See, Teresa Cierco, “Stabilizing Macedonia: The Key Role of the European Union”, page 16.

²⁷ See, Hajnalka Vincze, “A stronger military role for the EU in the Balkan?”, page 152.

Security Policy (CFSP) which in part gained a legal basis by the Nice Treaty (TEU-N)²⁸. The most important achievement of the Nice Treaty was the introduction of the mechanism of "enhanced cooperation" to the CFSP, a procedure that has already been used in other policy areas. The main point is to allow a group of member states to deepen their cooperation and to act without necessarily achieving a consensus among *all member states*. This form of cooperation is, however, limited to the implementation of common positions and joint actions and may not include actions with military implications²⁹. The main advantage is that it provides for a much easier decision- making- process over some issues that need urgent decisions and effective acting, without the potential blocking of the process if all the member states were not involved.

Consequently new institutions have been introduced in the EU, such as: Political and Security Committee, EU Military Committee and many other sub-committees as support of the two mentioned bodies. In addition, the High Representative for CFSP (supported by the Policy Unit) was established as a key figure of the EU crisis management; the role of the Commission was also more precisely defined in this area through the Directorate General for External Relations where a small unit on "Conflict Prevention and Crisis Management" was set up.

The clearest sign about the interest of EU in the Balkans is the opportunity for European integration that the Union offered the Balkan countries. That decision means a great impact on the stability of the region and gives great energy and motivation to the Balkan countries to go forward on the European path to the ultimate goal of EU membership. That is the "carrot" that EU is using to articulate the energy in these countries to choose a stabile and prospective future, instead of some backward scenarios. The Slovenian accession to the EU in 2004, the accession of Bulgaria and Romania in 2007,

²⁸ See Ulrich Schneckener. "Developing and applying EU crisis management: test case Macedonia," ECMI Working Paper n.14, January 2002, page 16.

²⁹ Ibid.

and the candidate status of Croatia and Macedonia serve as examples to the other Balkan countries that are trying to catch the European train. That would be the right European strategy for achieving the stability in this region.

2.2. Macedonia - The Success Story of EU's CFSP

Since its independence Macedonia was supported by the international community in the democratization process. In practice since 1992 Macedonia has benefited from EU assistance approximately 728 million euros³⁰. During the 1990s Macedonia successfully avoided the bloody conflict some countries experienced after the breakdown of Yugoslavia. That was a period of time when Macedonia was trying to “sell” an image of being an “oasis of peace” by putting aside important issues such as mismanagement of interethnic tensions and not facing the emerging minority dissatisfaction.

Yet Macedonia could not escape the crisis of 2001. Eventually the problems regarding the interethnic relations in Macedonia emerged on the surface. Various factors influenced the war crisis of 2001 including the fact that the external problems that Macedonia faced with its neighbors since the independence have calmed down, (the improvement of the relations with Greece and post-Milosevic Yugoslavia) and as consequence the internal interethnic problems could not be put aside anymore by the political elites; the end of the Kosovo crisis has increased the opportunities for the ethnic Albanian militants to act.

The role of the international community, especially the role of the European Union, was crucial for the stabilization of the country during and after the crisis in 2001. The initial events that have started the crisis in 2001 activated the EU crisis management mechanism. Essential for the successful role of the

³⁰ See Teresa Cierco page 12.

Union was the fact that after the outbreak of the violence in Macedonia the European Union responded very quickly and, most importantly, on the basis of unified position of the EU member states. The EU member states were acting jointly and there were not any divisions among the countries regarding the position the EU should have in the Macedonia case.

There are some critics³¹ that say that the EU and the other international partners missed the opportunity to prevent the crisis from emerging at all, because warning signs were not taken into consideration, such as the reports that were pointing out to an increased arms trade in the Kosovo-Southern Serbia-Macedonia triangle. However, the European Union had an active and engaged role during the conflict and facilitated the negotiations for a cease fire through a special envoy. The outcome of that facilitation was the signing of the Framework Agreement.³²

The successful role of the European Union was due to several factors: (i) the fast and timely involvement of the crisis management; (ii) the overall approach that the Union had in settling down the crisis in Macedonia, by engaging different and numerous EU actors (the delegation of the European Commission, the High Representative for the Common Foreign and Security Policy-CFSP, the EUSR, the European Agency of Reconstruction-EAR, the EU presidency, the EU military crisis management mission Concordia, the EU police mission Proxima, as well as the European Union Monitoring Mission-EUMM)³³ (iii) and finally by

³¹ Ibid, page 36.

³² The 2001 Ohrid Framework Agreement ended the war crisis between government security forces and ethnic Albanian rebels. It set out a strategic agenda concerning equal representation of different ethnic groups in public life and local self-government, and the devolution of powers from the central government to the local government units. The expected results were having more opportunities for citizens in general to participate at the civil society level, better public inputs that enhancing the growth of the local communities. See for example Dr. Zidas Daskalovski, *Walking on the Edge*, Globic: Chapel Hill, 2006.

³³ See Teresa Cierco, page 12.

combining various instruments, through which the EU was linking crisis management with long term measures³⁴.

In this context, a very significant and important event for both, the EU and Macedonia, was the implementation of the first military operation of EU “Concordia” with the main task to monitor the security situation in Macedonia and to promote a confidence building measures in a post conflict environment. The military mission was later replaced with the EU Police Mission Proxima, which has been assessed as the one of the most effective advisory mechanisms³⁵, where the work-motto of the mission “monitor, mentor and advise” had a great impact on Macedonia. The mission worked closely with the various government agencies pressing them to work and collaborate with each other. In 2005 Proxima was replaced by the EU Police Advisory Team (EUPAT), Macedonia becoming aware that the EU advices were essential and precious for the reform of the police.

Macedonia has made great progress since 2001; it is a stable, democratic country that succeeded to be granted candidate status for EU membership. The EU had also made a great progress during the Macedonian conflict. It proved to have a key role for the stability in its backyard - the Balkans- and proved to have foreign capacity to act together in security issues important for the peace and stability in the region. Therefore, the conflict of 2001 was a key lesson for both the EU and Macedonia.

2.3. EU Membership as a Key Factor for Establishing Functional Market Economy and Economic Reforms

³⁴ See “Ulrich Schneckener, page 32.

³⁵ See “Macedonia: Wobbling toward Europe, International Crisis Group,” Europe Briefing N°41,12 January 2006. page 8

All the external and internal circumstances that Macedonia faced since its independence diminished the already weak determination of the political elites for decisive reform process and often served as an excuse for the unsuccessful government work. So far, Macedonia concentrated all its efforts on implementing measures that are mostly part of the political criteria for EU accession. Much has been done for the implementation of the Ohrid Agreement, improvement of inter-ethnic relations, the process of decentralization, reform of the electoral system etc. During this extremely tense period, the only platform for unifying the divided citizenship along political and ethnic lines was the hope for EU membership. Therefore, each reform activity undertaken by the government was presented to the public as an obligation that must be fulfilled in order to make progress in the EU integration process of the country. This was particularly true in respect to the reforms in sensitive areas, such as the reform of the police, the judiciary system, and the fight against corruption. The fulfillment of the above mentioned reforms will create a solid base for further growth of the Macedonian economy.

In this respect the most recent public opinion survey conducted by CRPM shows that issues related to economy such as more job opportunities (32.6%), economic development (34.8%), poverty reduction (16.8%) and combating corruption (5.1%), are top priorities for Macedonian citizens, in contrast of issues such as inter-ethnic relations (1.3%), Ohrid Agreement (1.5%), peace and security (2.0%) etc.³⁶ The results of the survey illustrate that the great majority of Macedonian citizens regardless of their ethnic background are interested in issues that will pave their path to Europe.

³⁶ See CRPM survey 21st November 2006, press release available at <http://www.crpm.org.mk/Papers/Surveys/KolkuGraganitegiPoddrzuvaatNoviteVladinimerki.htm>.

The EU on the other side should also strengthen its support to the country and instead of targeting it as an aid receiving country³⁷ should treat Macedonia as a country that needs to build its membership capacity. The EU approach to condition the integration process with the reforms implemented by Macedonia proved to be the right attitude. The EU membership does not mean only privilege to use EU public funds and financial support but at the same time responsibility to take on huge obligations implied by the status of a member state. Macedonia was granted a candidate status but without official date for starting negotiations. As the new government (took power in September 2006) accelerated the pace of the reforms it is expected that the negotiations will start soon. The relations between EU and Macedonia so far were based on a principle of partnership. The EU consistently offered its support over the last years and there is no doubt that this partnership will continue in the following period.

³⁷ In the previous period when the country was struggling to overcome the post-conflict period, the EU provided financial support through programs such as CARDS, PHARE etc. Since the country was granted a candidate status, the IPA instrument as a pre-accession assistance will become available after January, 2007.

What Does the Macedonian/Balkan Accession Mean for the EU?

What benefits the Balkan countries expect to gain from the EU integration? These are the countries that have the EU integration as a top national priority. They are eager to join the Union hoping to achieve greater prosperity, greater protection (many of those countries are facing some inner problems, for example interethnic tensions see the EU membership as solution and point of closing any question of that kind) and free movement of labor and goods. On the other hand the effect on the EU of the enlargement of the Western Balkans would be considerable as were the effects of previous enlargements.³⁸

Table 1: Impact of successive enlargements of the EU

<i>(based on 1995 data)</i>	Increase in area	Increase in population	Increase in total GDP(*)	Change in per capita GDP	Average per capita GDP <i>(EUR 6 = 100)</i>
EUR 9/EUR 6	31%	32%	29%	- 3%	97
EUR 12/EUR 9	48%	22%	15%	- 6%	91
EUR 15/EUR 12(**)	43%	11%	8%	- 3%	89
EUR 26/EUR 15	34%	29%	9%	- 16%	75

(*) in purchasing power parities

(**) including the german reunification

Source: European Commission, Agenda 2000

The figures presented in the table show that besides the increase of territory a significant increase of the total GDP follows every enlargement process. Moreover, the increase of the GDP in EU member states disproves the argument

³⁸ Europeanization of Central and Eastern Europe; 4 July 2006 BNE-Slovenia; Ronald Linden

of the supposedly dangerous effects of the enlargement on the already integrated member states of the EU:

Table 5.3 GDP per Capita, Percentage of EU Average (Purchasing Power Parity Basis)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Greece	59.2	57.4	58.3	59.1	57.4	60.1	61.9	64.2	65.2	66.4	67.5	69.2	68.6	69.3
Ireland	60.8	62.5	63.8	66.3	71.1	74.7	78.4	82.5	90.7	96.8	96.5	96.4	102.1	105.1
Portugal	55.1	56.7	59.2	59.4	58.5	63.8	64.8	67.7	69.5	70.1	70.5	70.7	71.1	71.8
Spain	69.8	71.5	72.5	73.1	74.1	78.7	77.0	78.1	78.1	78.6	78.7	77.8	78.6	79.6

Source: Eurostat.

Source: John Van Oudenaren, *Uniting Europe* (Lanham, MD: Rowman and Littlefield, 2000, p. 156.

The enlargement process is not in any case an obstacle for the development of the member states of the Union.

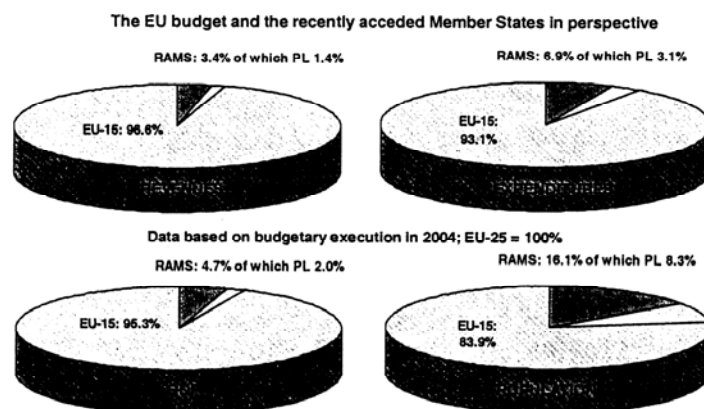
The Balkan countries are quite important for the EU geographically. The space between Greece in the South and the rest of the Union is important from different perspectives: stability, economy, infrastructure etc. In that sense, it is in the interest of the Union to have the Balkan countries reformed, democratic and stable. This is a process that will take a long time and according to experts will end somewhere in 2015. Macedonia expects that 2013 is a realistic date for EU accession.³⁹ Europe was divided in two spheres, the west and the east for too long. Now it is time to finalize the process by integrating the Balkan countries. If this strategic goal is achieved in the near future it will be the greatest achievement that will mark the history of Europe.

Macedonia - A Minor Financial Burden to the EU Budget

³⁹ Balkan Stability; 6 July 2006 BNE-Slovenia; Vladimir Gligorov

A dilemma is how big a burden Macedonia would be for the EU budget. Let us take a look at a brief comparison of the part the new member states⁴⁰ have taken in the EU budget and their position and part in EU vs. the “Macedonian burden” of the Union.

Graph 8: The EU budget and the recently acceded Member States in perspective



Source: DG BUDG, calculations by DG ECFIN

*the first graph is referring to the revenues, the second to the expenditures, the third to the GDP and the fourth graph is referring to the population in the EU after 2004.

Macedonia is one of the smallest countries in Europe and should not be a reason for worry for the European Union. Its GDP is only 0.4% of the one of the EU-25⁴¹ and its population of around 2 million people is only 0.4% of the EU-25 population.⁴² If we calculate for EU-27 including Bulgaria and Romania, Macedonian share of the GDP and the population would be even smaller. These statistics reveal that the enlargement of Macedonia will not have many consequences for the EU budget.

⁴⁰ Europeanization of Central and Eastern Europe; 4 July 2006 BNE-Slovenia; Ronald Linden

⁴¹ http://www.esiweb.org/index.php?lang=en&id=156&document_ID=73

⁴² Total EU population 456 million people, epp.eurostat.ec.eu.int/cache/ITY_PUBLIC/3-31082004-BP/EN/3-31082004-BP-EN.PDF

The EU budget for 2007-2013 has raised many debates. From the Macedonian perspective the exclusion of Croatia and Macedonia from the EU budget is one of the problematic points of the budget⁴³. Another problem is that the budget for foreign policy is reduced to a significant extent, affecting the IPA (Instrument for Pre-Accession Assistance).⁴⁴ IPA has five major components for the candidate countries and the potential candidate countries. The difference between these two categories of countries is that the candidates have access to all parts of the components, whereas the potential candidate countries have pre-access to only the first two components. IPA is a financial assistance agreement for 7 years starting with 1st January 2007. In order to start to use the financial assistance Macedonia needs to establish a specialized Payment Operation Agency that will be responsible to conduct and coordinate the IPA⁴⁵. In addition to that, it is important to mention that IPA is based on the capacity of the public institutions to apply for funds with own projects. Many doubt the capacity of the Macedonian administration for that task, since until now a very small percent the funding for which Macedonia was eligible has been used.⁴⁶

All in all, IPA is about 2 billion euros, which is less than expected⁴⁷. It would be good if the current candidate countries get the same amount of money as the previous candidates, which means at least 27 euros per capita. In the mid of 2008-2009 a revision of the EU budget is expected. Some of the critics point out the importance of the revision of the budget for the further enlargement and the impossibility to negotiate membership with Macedonia without fundamental budgetary reform in EU.⁴⁸

⁴³ <http://www.seetv-exchanges.com/code/navigate.php?Id=214>

⁴⁴ http://www.esiweb.org/index.php?lang=en&id=156&document_ID=73

⁴⁵ Interview with Gabriela Konevska Trajkovska

<http://www.dnevnik.com.mk/?itemID=2A6D089EB4D78148B50CD44F2D125BA4>

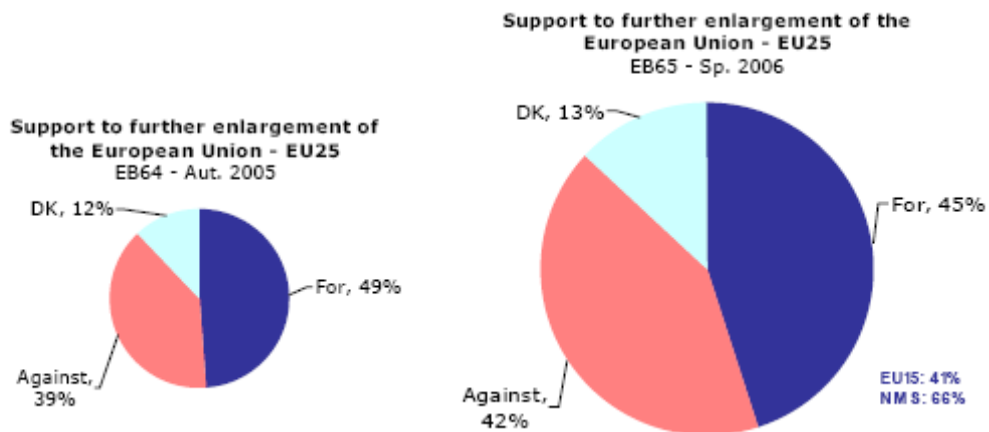
⁴⁶ *ibid*

⁴⁷ <http://www.seetv-exchanges.com/code/navigate.php?Id=229>

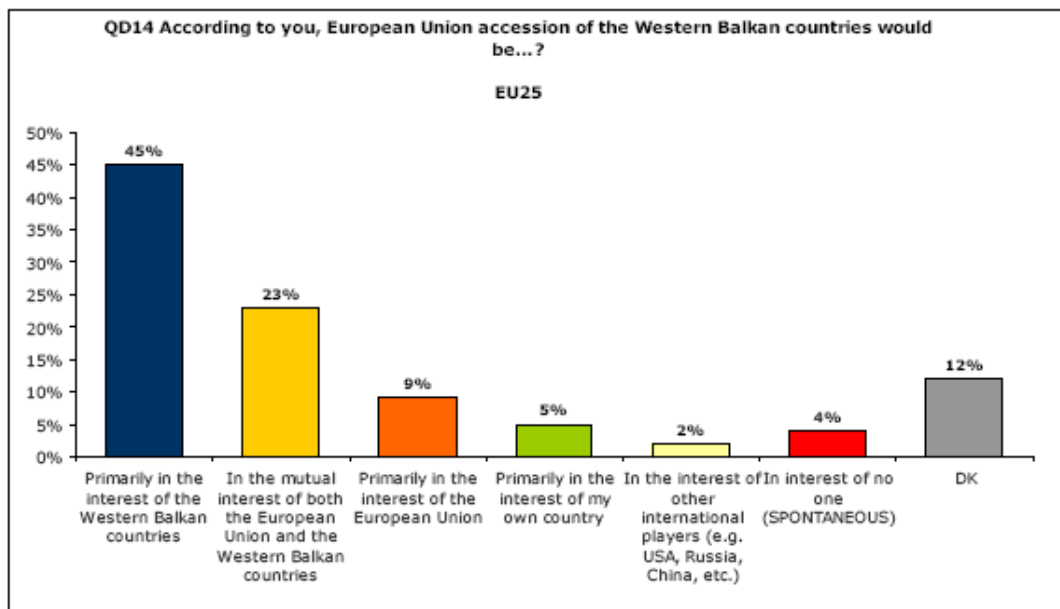
⁴⁸ <http://www.seetv-exchanges.com/code/navigate.php?Id=214>

Macedonian Accession and the European Public Opinion

The great project of creating the European Union started with the idea of eliminating war from the continent, as a result of the trauma of the World War II. The traditional rivals France and Germany realized their common interest that will bring economic prosperity for the European nations. During the process of unifying the continent, both political leaders and common citizens shared the sense of optimism for the future of Europe, which culminated with the fall of the Iron Curtain and the uniting of Germany. As the process continued to evolve, the Union became much more than a free-trade zone. The major overturn on the scale for support of EU enlargement was the big bang effect in 2004, with the accession of the new ten members, which totally changed the map of Europe.

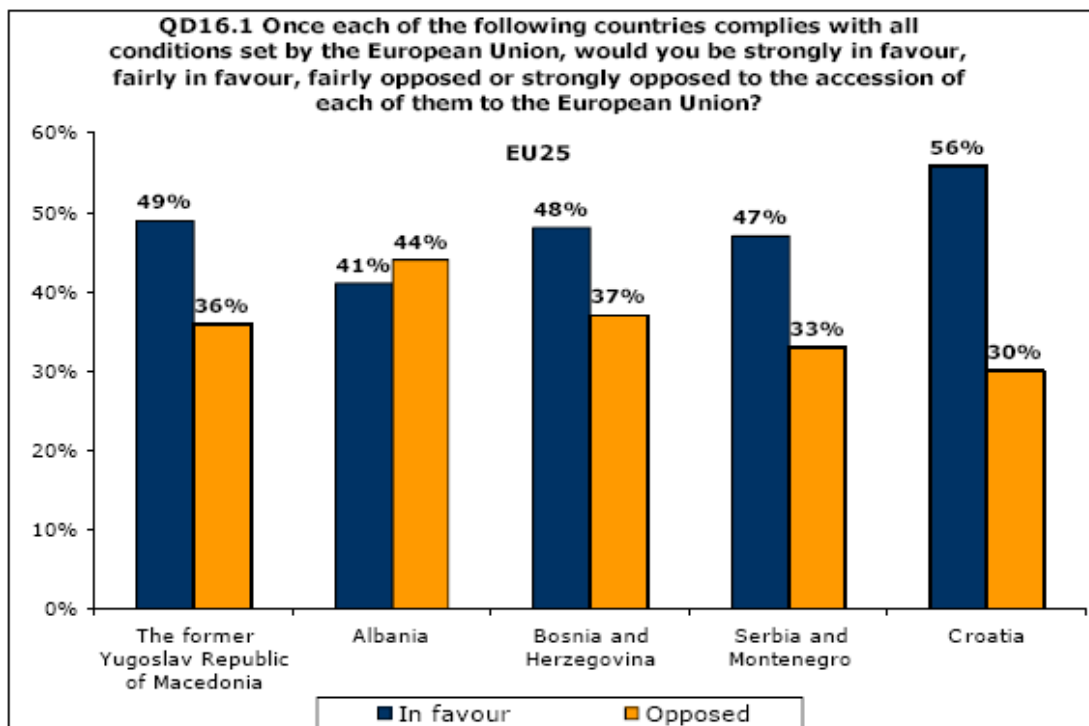


The comparison of the results from the public opinion survey made in autumn 2005 and the one in September 2006, illustrates decrease of the overall support for 4% and at the same time increase of those who are not in favor of the enlargement. The 25 point difference, regarding support for enlargement between old and new members illustrates the high diversity of the European public opinion. The support is larger among new members than among richer states⁴⁹.



The fact that the majority of the EU citizens (45 %) think that the accession of the Balkan countries is primarily in the interest of these countries rather than a mutual interest (23%), indicates the low level of public awareness for the long term goals of the Union.

⁴⁹ Eb65_first_en.pdf, pg 26.



The public opinion survey of Euro-Barometer indicates relatively positive attitude towards the future accession of Macedonia once the required conditions are fulfilled. The table above shows that as the country moves forward in the integration process the public attitude is increasing gradually in favor of that country. Likely enough, this trend is due to the individual improvements made by each country.

For instance, Croatia at present is undertaking negotiations with the EU, and at the same time enjoys the highest level of public support compared to the rest of the Western Balkan countries. The position of Macedonia as second most preferable country for accession reflects the progress made in the integration process up to now. This generally positive attitude towards Macedonia should be further improved by fulfillment of all conditions required and at the same time presenting the results and achievements made in the integration process to the European public.

a) The Macedonian Accession and the Macedonian Public Opinion

The EU integration of Macedonia is a strategic objective of every government and all political elites. Moreover, there is a great support of the European Union membership for Macedonia by the Macedonian citizens, which gives solid and legitimate ground for the reforms that have to be taken in the process of accession to the European Union. The support of the Macedonian membership in the European Union, in the period June 2002 - December 2004⁵⁰ has been exceptionally, high, 93% in 2002, and 97% in 2004. The opinion polls regarding the potential outcome of a referendum on the accession of Macedonia in the European Union, taken in different periods between 2003 - 2005, show significant percent of the citizens that would vote yes.⁵¹ The support has never been under 88% reaching 92% support of the potential referendum, in December 2005 when Macedonia was granted the candidate status.

b) Macedonian Image in the EU and the EU Image in Macedonia: the Role of the New Member States

The Western Balkan countries have no other foreign policy strategic goal except the Euro-Atlantic integration. Yet, at the moment the Balkans have a negative image - a black hole on the map of Europe. It is completely understandable why the European public have negative or skeptical opinion towards the possibility to integrate the Balkans within the Union. The Balkan countries still face problems like corruption, weak economic development, organized crime, women trafficking and are located on the main corridor for

⁵⁰ <http://www.sei.gov.mk/portal/mak/default.asp?id=88976>

⁵¹ <http://www.sei.gov.mk/portal/mak/default.asp?id=10>

drug smuggling into Western Europe. This status is not good for the Balkans, or for Europe. Therefore the enlargement of the Union and the positive impact it brings to the acceding countries (in terms of reforms) should continue in the Balkans because it is in both the EU and the Balkans' interest. The enlargement process means exporting stability instead of importing insecurity.

The accession to the European Union is a goal that unites all Macedonian citizens regardless of their ethnic background, education, age or political preferences. The accession to the European Union is perceived by most of the Macedonian citizens as a fulfillment of the dream of a stable, prosperous and wealthy Macedonia. An opinion poll⁵² show a great percent (more than 80%) of the citizens who believe that the European integration has and would have significant and positive impact on the reform of the economy, foreign direct investments, stability, human rights and visa regime. The highest percent of the Macedonian citizens believe that in the process of European integration Macedonia has to put the greatest efforts on the economic issues, but are also hoping that the EU integration will contribute greatly to the improvement of the economy.

On the other hand, Macedonia has gained the "affinity" of the EU citizens after the peaceful solution to the war crisis of 2001 and the implementation of the Ohrid Framework Agreement. The image of Macedonia in the EU is also influenced by the reports of international organizations. Here the Government needs to put some extra efforts as the reports are written by individuals resident in London, New York etc. who do not know all the relevant information about Macedonia, so the information they give out is not evidence-based and is often biased. A good example on how a report by IGO or financial institution could negatively affect the country is the EBRD strategy paper of 2004, which states that the investment in Macedonia is risky, when on the other hand reports by the World Bank state the opposite. However, the EBRD

⁵² <http://www.sei.gov.mk/portal/mak/default.asp?id=10>

strategy for 2004 is the first document that pops up on Google when you do search on "*foreign direct investment in Macedonia.*"

The situation in Macedonia is presented not so brightly by some parts of the EU reports and different statistics and analyses made by relevant international institutions that have great influence on the established perception of Macedonia. Macedonia is not in a position to boast with its 103rd place in the 2005 Transparency International Corruption Perceptions Index⁵³ that has taken into consideration 158 countries in the world. Regarding the economic conditions Macedonia is ranked on 92nd place on the list presented in 2006 by the World Bank⁵⁴, where although the Macedonian progress in the category "registration of firm" is recognized, still much work has to be done especially in the areas where Macedonia lags behind the other countries of the region.

Promoting Macedonia as a safe place to invest and do business in is a role that the EU member states could play with significant investments in Macedonia. Slovenia is the country that has offered an unambiguous support for Macedonia on multilateral and on bilateral level, in the areas of economy, police, legal approximation etc.⁵⁵ Slovenia is one of the major investors in Macedonia and in this context around 100 Slovenian companies participate with investments in the Macedonian economy and many other have announced their future investments on the Macedonian market, assessing the economic conditions in Macedonia as favorable and especially secure.⁵⁶

In addition, other new member states have announced support to Macedonia's European integration ambitions. Such is the case of the Czech Republic⁵⁷. The Czech Republic has expressed readiness to advise and help Macedonia in its

⁵³ <http://www.infoplease.com/ipa/A0781359.html>

⁵⁴ <http://www.kanal5.com.mk/ShowNews.aspx?ItemID=15314&mid=1500&tabId=1&tabindex=0>

⁵⁵ <http://www.a1.com.mk/vesti/default.asp?VestID=67476>

⁵⁶ <http://www.a1.com.mk/vesti/default.asp?VestID=67476>

⁵⁷ <http://www.turkishweekly.net/news.php?id=29471>

accession process. There are efforts for more intensive economic cooperation, which was the aim of the Macedonian-Czech Business Forum. The trade between Macedonia and the Czech Republic was US\$ 29.3 million in 2005, but the Macedonian part in that exchange was quite modest - only 6 million, a situation that needs to improve.

Lobbying for the Balkan's and in this respect Macedonia's accession to the EU, might be an important factor that will increase the visibility and participation of the new member states in the decision making processes of the Union. These would, on the other hand, influence and contribute for faster reform in Macedonia in that direction. This opportunity is recognized in most of the new member states, which learning from their own experience, are the biggest supporter of the further enlargement. Public opinion in these countries has shown exactly that - support for Macedonia to become a full member state of the European Union. Macedonia needs to use this opportunity, build coalitions with the new member states and work in the mutual interest.

Macedonia and Poland: Possible Partnership

Since 1989, independent Poland has enjoyed rapid economic growth, a large free press, and developed and rather influential civil society and interest groups. Poland's desire to reintegrate with Europe was realized in May 2004 when it joined the European Union. Today, Poland, with a population of 38.6 million, is the sixth-largest EU member. The addition of 10 new members in 2004 changed the character and political dynamics of the EU and highlighted the importance of revising the EU Constitution; an issue where Poland played an active role. In this respect the Polish Foreign Minister has recently suggested that Poland can both mediate in the row over the EU budget, and serve as a new motor for the bloc at a time of disarray over the constitution.

This attitude should reassure the Polish citizens that their nation is big⁵⁸ and in terms of votes rather powerful in the EU. Poland will become a *"big country that counts"* in Europe, said Poland's new Prime Minister Jaroslaw Kaczynski. His new regime promises a stronger voice in Europe, pushing more conservative values within the EU. A stronger role for Poland in EU decision-making is to be welcomed - because of its size, the number of votes it has in the European parliament and its geo-strategic position between Western Europe and Russia. However the challenge for Poland is to "work out how to have a positive influence in Europe."

One of the ways is to actively work for EU enlargement, and to *"really participate, not just formal participation (of new member states) in all*

⁵⁸ Public opinion polls show that Polish citizens think of themselves as a "small nation", when geographically it is large and very powerful.

decision-making mechanisms".⁵⁹ Poland also sees itself as a natural spokesman for the eight Central European and Baltic states, which joined the EU in May 2004, because it is by far the largest. It sought to represent their interests in a battle over the reform of voting rules in 2003 and believes it can do the same in the years to come.

Having in mind the present situation within the Union, regarding the negative atmosphere for enlargement, the implementation of Copenhagen criteria will simply not be good enough for candidate countries such as Macedonia. Knowing that in the past a decision for accession was often made for geo-strategic reasons, obtaining political support is even more important factor for the Macedonian accession to the EU. Therefore, Macedonia should rely on Poland as a partner that will support its accession to the European Union and should make Poland a true Macedonian lobbyist. Macedonia needs such a partner. At the moment Macedonian officials count on the support of Slovenia, Greece, Bulgaria, but they count on Germany most. In this respect the German presidency is seen as the period when Macedonia should get a date to start the EU negotiations. However, Germany is more of a partner to Croatia (due to historical reasons) than to Macedonia. Therefore, Macedonia should start looking for strategic partners among the new member states and Poland, as being the biggest; the most powerful and in favor of further enlargement of the EU, should be seriously considered.⁶⁰

Why Poland? The explanation is more than simple. Up to now, only few EU member states recognized Macedonia under the constitutional name.⁶¹ This support for Macedonia will hopefully produce similar decisions among other member states. Another positive impulse in the bilateral relations between the two countries is the Polish decision to liberalize the visa regime with

⁵⁹ Jaroslaw Kaczynski, July 2006

⁶⁰ According to last public survey made by Eurobarometar, 72% of Polish public opinion have positive attitude towards enlargement

⁶¹ Poland as EU member state has recognized Macedonia under its constitutional name in August 2005.

Macedonia. Polish visas are issued free of charge for Macedonian citizens who stay in Poland not longer than three months.⁶²

In terms of economy, investments from Poland in our country add up to 68 million dollars⁶³, which ranks Poland at the bottom on the list of our economic partners. Yet, the situation with the trade exchange in comparison to the rest of the new members is in favor of Poland⁶⁴. The amount of Polish products imported in our country is second largest after Slovenia, while Macedonia does not have any exports to Poland. Unfortunately, the economic cooperation is less developed than the political and cultural relations between the two countries, and must be improved in the close future.

⁶² <http://www.mfa.gov.mk/ministerstvo.asp?idMeni=9&idKategorija=14&idSodrzina=19>

⁶³ http://www.nbrm.gov.mk/WBStorage/Files/Tabela_50.pdf

⁶⁴ <http://www.mchamber.org.mk/default.asp?tId=25&lan=mk&edit=1>