

EU-27 WATCH



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On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new *modus operandi* while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

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Macedonia**Crisis of Europe or Europe in Crisis?**

Biljana Janeva*

Greece is assessed as always being the “bad boy” of the EU and being able to get away with anything. The developments of the economic crisis were closely followed in Macedonia, not only because Greece is the biggest foreign investor in Macedonia, with a share of 60 percent of total foreign direct investment (FDI) in Macedonia, but also because Macedonia wanted to see how the EU would react: would it decide to “punish” the “bad boy” or save it again? The debates mostly focused on the overall influence of the situation in Greece and how it would affect Macedonia. Greece received financial aid from the International Monetary Fund (IMF) and the European Union, but that does not mean that the authorities’ headaches are gone. This also applies to Macedonia, which is most exposed to Greek capital, analyse the Macedonian newspapers.¹ According to the media, the Greek financial crisis arouses fear and anxiety in Macedonia.² The question, which is circuiting at all times, is: how big will the consequences be and how will Macedonia feel them? Having in mind that Greece is the biggest and most used port for exports, the constant strikes of Greek officials had large consequences on Macedonia’s international business as well. The Greek crisis did not have any direct consequences at first, but Macedonian experts, authorities and businessmen were carefully following its progress. Other questions which are addressed by the Macedonian media are: “Why does the European Union discuss the billions of Euros needed to prevail a Greek bankruptcy? Why is nobody discussing sanctions, when Greece has violated all standards and procedures? Why hasn’t Greece started selling its islands? Is it worth saving Greece? What will be the effect on the whole EU? Who will be next?” The Macedonian public believes that the EU public and authorities should start asking these questions.

The Macedonian media wrote that the first wave from Greece was felt in the textile industry. Some Greek companies closed, supposedly because Greece is bound to cutting expenses and rationalising its spending. The remaining Greek companies in Macedonia, due to the financial issues, are working with decreased capacity, and it is possible that there will be a further withdrawal of capital from Macedonia. In the following period, the Greek flight will be intensified. As said by the experts and the media, the monetary authorities in the Republic of Macedonia have already done analysis for the impact of the Greek crisis in Macedonia, and it is noted that those banks in Macedonia that are under Greek supervision are safe and stable. Taki Fiti says that the fact that Greek ratings fell to their lowest levels so far gives a bad impression for the entire region, especially for the closest countries.³ As Fiti stated, the low Greek debt ratings will influence the perception of investors for the entire region, including Macedonia.

Prime Minister Gruevski showed serious concerns for the Greek crisis. According to the Prime Minister, the situation is on the verge of becoming dramatic and could have a bigger influence on the Macedonian economy. “We cautiously follow the situation in Greece, with hope that this issue will soon be closed and that the European Union will find a solution for stopping the progression of the issue in the EU and the region as well, because if it takes further negative directions, which is also possible, it might represent new shocks for our economy”, said the Prime Minister.⁴

The political and expert opinion in Macedonia was also focused on comparing the situations in Macedonia and Greece – between a candidate country and a member state. The International Monetary Fund’s visit in Macedonia and their views on the crisis were very lively discussed. Namely, the foreign position of Macedonia has improved. Exports are starting to increase and imports are still decreasing. The deficit is slowly decreasing and it is expected to fall to 2.5 percent of gross domestic product (GDP). The Minister of Finance Stavreski stated that Macedonia will accomplish its planned growth of 2 percent of GDP in 2010, and a moderate but successful recovery of domestic expenditure is expected, which will be especially prominent in the second half of this year.⁵ Income was lower than planned and also decreased from last year, but improvements were noticed for the first time in April 2010. Stavreski said that he expects this trend to continue to the end of this year, and he announced careful policy in the expenditure side and its adaptation if needed. Gosev, Governor of the Central Bank in Macedonia, said that the recovery does not depend only on Macedonian policy, it is dependant on a worldwide recovery, and especially on the part with which Macedonia collaborates

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most. According to the estimates of Macedonian experts, Macedonia will lose more than 220 million US Dollars by 2014 as a consequence of the Greek crisis.⁶

The Macedonian media were occupied with the debate on whether the crisis in Greece is becoming a European crisis. With the worsening of credit ratings for Greece, Portugal and Spain, the crisis is spreading. Talk now centres on the overall economic growth of the Eurozone, the economic prospects of the EU as a whole and the means of dealing with the situation.

In that context, the perceptions of investors on Greece, but also on the Balkan region and Europe as a whole, are worsening, which undoubtedly has implications for the countries that are not directly affected by the crisis.⁷

The Macedonian media reported on the decision of the finance ministers in the Euro group to support Greece.⁸ According to the media, the ministers stated that, although Athens has their support, it still needs to take responsibility for its own state finances. Also, although the Euro group supports Greece, it still demands concrete measures for decreasing Greece's public debt. It is already clear that Greece will manage to "come out of the woods" with the 120 billion Euros it will get from the EU and the IMF in the next 3 years, but in return Greece had to pledge unseen cuts and measures, which will turn public opinion against the government and worsen the overall situation in the country and the region, analyse the experts in the Macedonian media.⁹

The newest economic strategy for sustainable growth, known as the Europe 2020 Strategy, appeared during the biggest economic crisis of the last decades. The strategy for innovation and green growth are part of the draft plan for competition and the proposals to strengthen the monitoring of national reform programmes.¹⁰ Europe 2020 replaces the Lisbon Agenda from 2000, according to which the Union was supposed to become one of the most dynamic knowledge based economies by 2010. According to the Macedonian media, the success of Europe is possible only if the Union acts together, through a strategy which will secure a more efficient exit of the economic crisis, as well as securing a sustainable and inclusive economy, which will bring a high employment level, productivity and social cohesion. The media in Macedonia refer to the Europe 2020 Strategy as a base for the vision of the European social and market economy for the 21st century. The strategy has three priorities:

- strong growth through the development of a knowledge and innovation based economy;
- sustainable growth through resource promotion and a greener and more competitive economy; and
- strong economy growth with a high employment level and delivery of social and territory cohesion.

The development of these priorities will be measured through the success and accomplishments of certain measures.

The expert opinion in the Macedonian media is that the worldwide economic crisis brought many problems and unstable tendencies in the economy to surface, but, with this Strategy, the EU economy can be directed on the right track.¹¹

¹ Analysis by the daily newspaper Utrinski Vesnik, available at: <http://www.utrinski.com.mk/?ItemID=9EF45F0B1F055949806E35D5D5C35CE5> (last access: 3 May 2010).

² Analysis by the Macedonian Edition of Deutsche Welle, available at: <http://www.dw-world.de/dw/article/0,,5522196,00.html> (last access: 30 April 2010).

³ Analysis by the daily newspaper Utrinski Vesnik, available at: <http://www.utrinski.com.mk/?ItemID=9EF45F0B1F055949806E35D5D5C35CE5> (last access: 3 May 2010).

⁴ Interview of the Prime Minister Nikola Gruevski for TV Sitel's news, available at: <http://www.sitel.com.mk/dnevnik/biznis/gruevski-grchkata-kriza-mozen-nov-shok-za-makedonskata-ekonomija> (last access: 30 April 2010).

⁵ The International Monetary Fund observations, and the address of the Minister of Finance. Stavreski, Macedonian Information Agency, available at: <http://www.mia.mk/default.aspx?vld=73655519&lld=1&pmld> (last access: 5 May 2010).

⁶ Analysis and reportage from the daily newspaper Vreme, available at: <http://www.vreme.com.mk/DesktopDefault.aspx?tabindex=7&tabid=1&EditionID=2047&ArticleID=142867> (last access: 10 May 2010).

⁷ From the daily newspaper Utrinski Vesnik, available at: <http://www.utrinski.com.mk/default.asp?ItemID=053C9ED46F1C7F45921A3E6E989C6CF6> (last access: 10 May 2010).

⁸ From the TV Sitel news, available at: <http://www.sitel.com.mk/dnevnik/biznis/evrogrupata-podgotvena-da-obezbedi-30-milijardi-evra-pomosh-za-grcija> (last access 20 May 2010).

⁹ From the daily newspaper Nova Makedonija, available at: <http://www.novamakedonija.com.mk/NewsDetal.asp?vest=120101058271&id=11&setIzdanie=21888> (last access: 20 May 2010).

¹⁰ According to the official information from the Assembly of Republic of Macedonia available at: <http://www.sobranie.mk/default.asp?ItemID=5222EE77E5736F4BAAE5772654471CD6> (last access: 09.05.2010).

¹¹ From the Alsat TV, available at: <http://alsat.mk/svet/242414.html?print> (last access: 21 May 2010).

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?