

MACEDONIA UPDATE:
Challenges and Choices for the
New Government

ICG Balkans Report N°60
Skopje-Brussels, 29 March 1999



Foreword

This latest ICG report on Macedonia was written during March, as the new humanitarian catastrophe in neighbouring Kosovo unfolded and reached a new scale. Because of the recent events in Kosovo and the region at large, parts of this report have been overtaken by new developments. In particular, this concerns issues relating to the amount of aid reaching Macedonia, actions taken to alleviate the refugee situation in Macedonia and, most importantly, the Government's ability to deal with the increasing number of refugees. Indeed, events in the last few days may well have reached a point beyond the Government's capacity to respond. On the whole however, the analysis and conclusions of this report are still valid and still merit consideration despite the fact that local and international attention is now focusing on developments in Kosovo and their effect on neighbouring countries.

Skopje–Brussels, 6th April, 1999

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MACEDONIA UPDATE: Challenges and Choices for the New Government

EXECUTIVE SUMMARY

The new Macedonian government marked its first hundred days in office in early March. Formed by the Macedonian Internal Revolutionary Organisation–Democratic Party for Macedonian National Unity (VMRO–DPMNE), the Democratic Alternative (DA), and the Democratic Party of Albanians (DPA) after the last parliamentary elections in October and November 1998, the government is headed by VMRO–DPMNE Chairman Ljubco Georgievski and has a comfortable majority of 73 out of 120 seats in the current parliament.

Prior to the elections, some of the parties now in government had made extensive promises, particularly in the realm of economic and social policy. Most promises have not been carried out thus far. The current government, whose capacity to act is limited by the general state of Macedonia's economy and by limited financial resources, has a particularly disappointing record in the economic sphere. Few new jobs have been created, pensions have been raised only insignificantly, and public sector employees even face pay cuts. The budget for the current year leaves the government virtually no room to manoeuvre. The only possible way forward is to create a climate that attracts foreign investment.

The government has also given grounds for concerns with its employment policy, under which party affiliation seems to be more important than professional qualification. Contrary to earlier pledges, the government has sacked more than 1,500 public-sector employees. It has also taken firm control of parts of the media, most notably the state-run electronic outlets.

On the positive side, inter-ethnic relations have improved as the government has taken first steps to accommodate demands by Macedonia's ethnic Albanian community. More problems remain to be solved, though, and further improvement will most likely come after the presidential elections at the end of the year.

The government's decision in late January to establish diplomatic relations with the Republic of China (Taiwan) caused considerable controversy in Macedonia and resulted in the break-up of relations between Macedonia and China. If the government wants to profit from the recognition of Taiwan by bringing in Taiwanese investment, it must create a framework that is favourable to such investment. Otherwise, Taiwanese business will see little reason to invest in the country.

Following the break with China and the consequent veto by Beijing of an extension of the UN Peacekeepers' mandate in Macedonia, the international community and Macedonia need to reach an agreement under which a multinational peacekeeping force can stay in the country.

Macedonia in February reached a breakthrough in relations with Bulgaria, a development likely to strengthen Macedonia's position in the region. Relations improved following the signing of a joint declaration and several bilateral agreements.

The Kosovo crisis, however, continues to cast its shadow on Macedonia and has raised concerns over the country's stability. Around 35,000 refugees are estimated to be in Macedonia at the moment, and it is unclear how many more will come or how many the country can accommodate. The international community is currently providing considerable financial assistance in this field and should continue to do so. Western countries should also be prepared to take refugees from Kosovo if their number reaches a level that can no longer be handled by Macedonia alone. A recent government decision to close the border between Macedonia and Kosovo has been reversed, and it remains to be hoped that the border will remain open as more and more Kosovars seek refuge. In Macedonia proper, mistrust towards ethnic Albanians by parts of the population might yet create problems. Another danger to the country's stability and security could come from ethnic Serbs and radicals within Macedonia. The recent violence of 25 March, directed against Americans and other foreigners, may not have been the last incident.

Over the past three months, cohabitation between the Social Democratic President and the centre-right government has not always been comfortable. In order to avoid conflict in the future, the constitution needs to be amended. Most importantly, a deadline for presidential vetoes against legislation needs to be introduced to prevent the legislative process grinding to a halt.

With some six to seven months to run until the next presidential elections, it is unclear who the candidates for the highest office will be. The ruling coalition has not yet announced whether it will agree on a joint candidate — most likely DA Chairman Vasil Tupurkovski — or whether VMRO-DPMNE will decide to field its own candidate. In this case, the current coalition might be endangered and a new coalition could replace it. One smaller party, the Liberal Democrats, has already indicated that they would be inclined to join any alternative coalition government.

Skopje–Brussels, 29 March 1999

MACEDONIA UPDATE:

Challenges and Choices for the new Government

I. INTRODUCTION

On 9 March 1999, the new Macedonian government of Prime Minister Ljubco Georgievski marked its first 100 days in office. Formed by the Macedonian Internal Revolutionary Organisation–Democratic Party for Macedonian National Unity (VMRO–DPMNE), the Democratic Alternative (DA), and the Democratic Party of Albanians (DPA) after the last parliamentary elections in October and November 1998, the government has a comfortable majority of 73 out of 120 seats in the parliament (49 for VMRO–DPMNE, 13 for DA, 11 for the DPA). Of the three coalition partners, the VMRO–DPMNE and DPA are generally considered to be nationalistic, although both of them have toned down their nationalist rhetoric in recent months. The DA portrays itself as a centrist and civic party trying to appeal to all ethnic groups in the country.

This report looks at some key developments and trends in Macedonia over the past three months. It gives a preliminary assessment of the government's first 100 days in office, trying to compare earlier pledges and statements to what has actually been achieved. It also looks at three major policy issues of the last months — the recognition of the Republic of China (Taiwan), the marked improvement in relations with Bulgaria, and the effects of the Kosovo crisis on Macedonia. A short section is devoted to the difficult cohabitation between government and president and points to some shortfalls in the current constitutional arrangements. Finally, this report provides a brief outlook at the presidential elections scheduled for this coming fall.

II. THE GOVERNMENT'S FIRST 100 DAYS IN OFFICE — A PRELIMINARY ASSESSMENT

The current government was approved by the newly elected Macedonian parliament on 30 November 1999. On 9 March 1999, the government celebrated its first 100 days in office. The record of this first period in office is mixed. On the one hand, the government took on the difficult legacy of running a country plagued by serious and complex problems, mainly in the realms of the economy, state finances, and social affairs. It was quite clear from the start that with limited financial resources it would be very difficult to embark on a program of economic reconstruction. On the other hand, many of the promises made during the election campaign have proved to be unrealistic in the cold light of government.

All the political parties published their election platforms before the elections, although most of them had little public impact. The election programme of VMRO–DPMNE, for example, was so long, extending to almost 100 pages, that few people read it. The main impact of the VMRO–DPMNE campaign lay with public meetings, television and radio debates, and campaign spots in the media. In contrast, the DA published a short outline of what it would do if it assumed power. This "Program for Reconstruction and Development" was

based on the assumption that one billion US dollars in foreign investment could be secured over the next four years. Ultimately, the DA platform was a list of how this billion would be spent during the period 1999–2002. Of the money, \$278 million (257.4 million Euros) was to be spent on industry, \$150 million (139 million Euros) each on agriculture and construction, \$100 million (93 million Euros) on a job creation program, etc. Many people in Macedonia felt that the prospect of this money coming forward was highly unrealistic, but others found the plan reasonable enough to vote for DA. DA also profited from its charismatic chairman, Vasil Tupurkovski, who was the last Macedonian representative on the collective Yugoslav Presidency.

Between the two rounds, VMRO–DPMNE and DA, who had concluded an alliance known as the “Coalition for Changes,” published a so-called “Contract for Macedonia.”¹ This contract listed a number of measures that a government comprising these two parties would carry out during its first 100 days in office. Of the 23 proposed measures, 12 were aimed at the economy and social affairs. The main points were: to develop a plan for the reconstruction and economic development of Macedonia; to re-launch production in facilities which had ceased operations; to reduce taxes and other deductions from salaries by 10 percent; to stop the implementation of the bankruptcy law so that some companies might continue to function; to reduce interest rates; to launch an employment program for 10,000 socially weak people; a law to facilitate the repayment of frozen bank assets and losses from pyramid schemes; a reduction of electricity, water, telephone, and other utilities’ prices; regular payment of salaries and payment of unpaid salaries; increases of the minimum pension and social assistance. This “Contract” was a winning ticket between the two rounds of voting, helping to swing support behind the coalition. For this reason, the new government should be judged on its abilities to deliver on promises contained in this “Contract”.

Prime Minister Georgievski’s statement to the parliament outlining the Government’s programme included a number of ambitious goals, mainly in the economic and social spheres, but also with regard to international relations. Georgievski’s statement, dated 30 November 1998, outlined the government’s priorities for the whole four-year term. Since this statement covers a longer period, it can only partly be used to assess the new government’s initial performance.²

III. TOO MANY PROMISES, TOO LITTLE TIME

On the whole, the government’s record after the first 100 days in office is disappointing, especially when measured against the campaign promises and the high expectations of many voters.

¹ An English-language version of the “Contract for Macedonia” is available on the Internet at <http://www.vmro-dpmne.org.mk/en/aktuelno/dogovor-EN.html>.

² For Georgievski’s declaration see M.I.C., Infomac News Service, 30 November 1998. A summary is provided in “New Faces in Skopje,” ICG Balkans Report N 51, 8 January 1999.

Few new jobs have been created so far. Most of the promises in the economic and social sphere have failed to materialise. The promised Plan for Reconstruction and Development has not been presented to the public. No closed plants have re-started production. On the contrary, the government has promised the IMF and the World Bank to privatise or close down the countries 12 biggest loss-making plants later this year. Taxes and other deductions have not been lowered, and Finance Minister Boris Stojmenov had to admit that this was impossible given the resistance of the IMF and the World Bank.³ Bank interest rates have not been reduced either. The ambitious employment program pre-shadowed in the campaign has also not been presented to the public. The only promise carried out, so far, in the field of the economy and business was the reduction of capital needed for setting up private companies from 10,000 to 5,000 German marks. While this will certainly encourage private enterprise, it is far too little to change the general situation.

One decision that caused particular outrage among the public at large was the government's refusal to raise pensions by 8%. In 1994, the Constitutional Court invalidated a law lowering pensions by 8%. Several decisions by the Supreme Court have upheld the pensioners' right to receive their full pension, the last time in early 1999. Nonetheless, the cabinet decided to ignore the courts and raise pensions by a meagre 1.94 percent in March 1999. Only after meeting with representatives of pensioners' organisations, Finance Minister Boris Stojmenov on 26 March announced that the government would conform to the Supreme Court ruling.⁴

Other promises from the "Contract with Macedonia" have at least been partly fulfilled. For example, the cabinet approved a draft anti-corruption law, a commission to fight drug abuse has been formed, a law for an independent public prosecutor has been drafted, and the technical performance of the army has been improved.

As far as inter-ethnic relations are concerned, some progress has been made, but the situation nonetheless remains volatile. An amnesty law which released several leading DPA politicians from prison has been passed, the new head of the police in Tetovo is an ethnic Albanian, and the DPA seems to be well integrated in the new government. Violent clashes between high-school students from both ethnic groups took place in Skopje and elsewhere earlier this year, but they have now died down. It is still unclear whether these students were used by political parties or other interested groups to destabilise the situation and derail the new government. But while the clashes were a worrying occurrence, they did not seriously impair relations between the country's two largest ethnic groups.

More progress must be made though, especially on the controversial issue of the legalisation of the Albanian-language Tetovo University. This and other pressing issues will be tackled after the presidential elections in the fall of 1999, according to indications from the ruling parties. It must be hoped that the coalition partners will continue to strive for better relations between ethnic Macedonians and ethnic Albanians and other minorities. If they fail to resolve these issues, the internal stability of the country could be at risk. Currently, the

³ "Breathing Technique" by Ljubomir Kostovski, *Puls*, 5 March 1999, p. 25.

⁴ *Dnevnik*, 27 March 1999.

biggest threat to inter-ethnic relations comes from the continuing influx of refugees from Kosovo. Their high numbers are seriously testing the governments ability to deal with the refugee problem, with some Macedonians fearing that a big influx may upset the country's delicate ethnic balance (for a more thorough assessment of the refugee problem see elsewhere in this report).

The ruling parties themselves were more positive about their achievements. At a joint meeting of the top leadership of VMRO–DPMNE and DA on 13 March, the parties stressed that the government's work was "satisfactory" although "some promises had not been kept." The DPA was not invited to the meeting. Prime Minister Georgievski said this was not necessary because there were no problems with the DPA. However, on 18 March, DPA Deputy Chairman Menduh Thaci complained that his party had not been invited and strongly attacked the DA, accusing them of inappropriate conduct towards his party. He said the DPA would not take part in Tupurkovski's "mystical projects."⁵ While generally satisfied with the government's work, the DPA is obviously dissatisfied by the high-handed treatment it received from the DA and Tupurkovski in particular.

Georgievski's assurance that there are no problems with the DPA implies that tensions do exist between the VMRO–DPMNE and the DA. Indeed, Georgievski at the meeting on 13 March said that the government would be reshuffled some time around June. He also warned the "business ministers" (i.e. those members of the government who also have private business interests) to either put the country's interests first or leave the government. Most disagreements at the meeting were reportedly caused by differing positions on the government's economic policies.

At the moment, it is unclear how the government proposes to fulfil its ambitious program. The 1999 state budget leaves very little room for manoeuvre. The budget, which was approved by the government on 16 March and passed by the parliament on 31 March, provides for expenditures of 41.393 billion denars (around 1.353 billion German marks), up 3.6 percent from the 1998 budget.⁶ The budget deficit is estimated at 0.3 percent of GDP or around 20 million German marks. According to the finance minister, some 80 percent of this year's budget has been earmarked for paying salaries in the public sector and for social programs. Only 5.9 percent of all expenditures will be used for investment. It is obvious that under such conditions, the state can do nothing to boost the economy. The only alternative is to bring in foreign investment and aid.

IV. WORRIES ABOUT NEPOTISM AND INTERFERENCE IN THE FREEDOM OF THE MEDIA

It was clear from the outset that the new government would replace a certain number of people in the public administration. Many of them were closely

⁵ MILS, 19 March 1999.

⁶ MILS, 17 March 1999.

linked to the previous government, and in order to implement its policies, every government needs trusted people in key positions.

However, it seems that the replacement of public-service staff has been far more extensive than expected. Georgievski has filled non-political posts with new appointees, despite pledges to the contrary. In the first two months of the new government's term alone, some 1,500 people were replaced by supporters and members of the new ruling parties, in some cases regardless of whether they were qualified for their new positions.

Macedonian media also singled out instances where relatives of leading politicians, including the Prime Minister, found new positions in the public sector. According to the Social Democrats, who are preparing a report on such practices, these are the most obvious cases⁷: One of Finance Minister's Stojmenov's sons was made Marketing Director of Macedonian Telecommunications; Construction Minister Dusko Kadievski secured his granddaughter a position equivalent to that of assistant minister; and the brother of the prime minister's wife became the regional head of the state-owned "Elektrodistribucija" in Strumica.

Such developments are worrying. Of course, the previous government also put its people in many positions (not only in strategic ones), and nepotism, incompetence and corruption were a common occurrence. But the widespread replacement of non-political staff for party-political reasons and the allegations of nepotism are cause for concern. The current government should realise that it does not own the state, and that such a personnel policy will actually have the opposite of the intended effect in the long run, creating widespread frustration among the public which will not be counterbalanced by the loyalty of the political appointees. Also, this kind of policy impairs the smooth functioning of the state since far too many people in administrative positions are replaced after every change of government.

Among the many things the then opposition accused the previous government of was its control of the media, most notably the state electronic media. While the accusations were on the whole well founded, the new government has failed to bring about a change in practice. By and large, it continues to act in the same way as its predecessor.

The state media, i.e. Macedonian Radio and Macedonian Television, were quickly taken over with trusted people put in positions vacated by supporters of the previous government. The top positions in the state media have now been filled by people who were handpicked by the three ruling parties. There has been at least one serious instance of politically motivated action taken against a journalist. Gorica Popova, a journalist with Macedonian Radio for 23 years, was demoted from deputy managing editor to "junior assistant" for a commentary critical of some VMRO-DPMNE government ministers. Should this become common practice, it does not bode well for the freedom of the Macedonian media.

The country's biggest publishing house, "NIP Nova Makedonija," was also a victim of government interference. Despite pledges that the new government

⁷ *Dnevnik*, 12 March 1999.

would not use its 32-percent stake in “NIP Nova Makedonija” to influence editorial policies, the ruling parties put their people in leading positions following the resignation of the old leadership, which was closely linked to the Social Democrats. Journalist Slobodan Casule, a prominent DA member, was made chairman of the board, and the positions of editor-in-chief of the house’s dailies also went to members of the ruling parties. Finally, the Supervisory Board was filled with people proposed by those parties. Some of them are actually leading party members, such as VMRO–DPMNE spokesman Ljuben Paunovski. In March, new quarrels within “NIP Nova Makedonija” came to a head. Casule was dismissed on 29 March, ostensibly for not acting in a way “which justified the trust [the Supervisory Board] has placed in him.” However, many observers think that Casule’s dismissal was politically motivated and was yet another indication of souring relations between VMRO–DPMNE and DA.

On the whole, it is doubtful whether the attempt to control the state electronic media and “NIP Nova Makedonija” will really benefit the government. Some of the media who were strongly critical of the previous government and even supported the then opposition in the last election campaign have, by now, turned against the current government, criticising it as strongly as they criticised the previous cabinet. In the end, the ruling parties, and in particular the VMRO–DPMNE and DA, might find that trying to control part of the media backfires, since there are many alternative electronic and print media which can provide the public with information and which are perceived as being independent.

V. GOVERNMENT RESHUFFLE IN THE OFFING

After Georgievski hinted at a likely government reshuffle in June 1999, several ministers have been named as possible victims. Among them are several leading DA members, including Economics Minister Zanko Cado and Communication and Transportation Minister Bobi Spirkovski. Cado is under fire because of his private business interests, while Spirkovski is being criticised for his close connection to MAT, one of two Macedonian airlines. Foreign Minister Aleksandar Dimitrov is also considered a candidate for “demotion” following criticism of his performance.

Another name that has been mentioned is that of Finance Minister Boris Stojmenov, despite the fact that he is one of the leading VMRO–DPMNE members and has funded the party for years. He has also been criticised for having private business interests, although his business empire now formally belongs to his son. His former company “BS Holding” (BS as in Boris Stojmenov) recently won the tender to supply the government with paper for printers and photocopiers and is tendering to win the contract to print new identity cards for all Macedonian citizens, a deal reportedly worth several million German marks. An indication that Stojmenov might be under pressure was criticism voiced by Georgievski on 25 March of private Kanal 5 television (along with some other broadcaster’s) for coverage of the Kosovo crisis. Georgievski accused these broadcasters of being sensationalist, and of creating panic among the population. The criticism is interesting because Kanal 5 is controlled by Stojmenov and was the most important electronic media supporting the VMRO–DPMNE’s in the last election campaign.

Finally, there are rumours that those VMRO–DPMNE ministers who were removed from the party's top leadership late last year, such as Defence Minister Nikola Kljusev and Culture Minister Dimitar Dimitrov, might also be dropped in the reshuffle.

VI. WHAT WILL THE RECOGNITION OF THE REPUBLIC OF CHINA (TAIWAN) BRING?

On 27 January 1999, Macedonian Foreign Minister Aleksandar Dimitrov and his Taiwanese counterpart, Jason Hu, announced that Macedonia and Taiwan had decided to establish diplomatic relations. The two men signed a communiqué to that effect in Taipei. Thus Macedonia became one of 28 states worldwide, and the only European country apart from the Holy See to have diplomatic relations with Taiwan.

The announcement took everyone not directly involved by surprise. Apart from the three Macedonian officials present in Taipei — Foreign Minister Dimitrov, DA Chairman and Director of the Agency for Reconstruction and Development Vasil Tupurkovski, and businessman and leading DA member Vanja Bitoljanu — few if any people expected Macedonia to establish diplomatic relations with Taiwan. Deputy Foreign Minister Boris Trajkovski initially claimed to have no knowledge of the deal, as did a host of other leading politicians. President Kiro Gligorov clearly had been left in the dark. The official line a few days after the recognition was that it had been discussed and approved by the leaders of the three coalition parties, but to this date there is considerable doubt as to what DPA Chairman Arben Xhaferi and even Prime Minister Ljubco Georgievski really knew. On the whole, it appears that on the Macedonian side the recognition of Taiwan was a scoop organised by the DA. Tupurkovski admitted that talks with Taiwanese officials had started as early as August 1997⁸, i.e. before his party was even formed in March 1998.

Positive and negative reactions in Macedonia were numerous and immediate. Those who welcomed the news did so not least because it raised the prospect of Macedonia receiving badly needed financial aid and foreign investment. Those who objected to the deal did so for a number of reasons: Firstly, they pointed to the negative impact on relations with China; secondly a possible Chinese veto to the extension of the mandate of the UN peacekeepers in Macedonia (UNPREDEP); and thirdly that Macedonia would be open to the criticism that it was shifting its foreign policy orientations.

The strongest reactions within Macedonia came from Gligorov, who described recognition of Taiwan as a “small coup d'état”⁹. Legally, however, the government has every right to establish relations with Taiwan or, indeed, with any other state. The constitution states that “the government [...] decides on the recognition of states and governments [and] establishes diplomatic and consular relations with other states” (Article 91). The Social Democrats started collecting signatures against the recognition of Taiwan. Although they claimed

⁸ MILS, 5 February 1999.

⁹ MILS, 1 February 1999.

that they collected 20,000 signatures on the first day alone, the action produced no results.

Reaction from Beijing was swift, too. After demanding several times that the Macedonian government reconsider its position, China broke off diplomatic relations with Macedonia on 9 February 1999, one day after the Macedonian government formally approved the establishment of diplomatic relations with Taiwan. And on 26 February, China vetoed the extension of UNPREDEP's mandate in the UN Security Council. Thus, UNPREDEP ceased operations on 28 February, the day after its mandate formally expired.

It is still unclear whether China will reconsider its decision regarding UNPREDEP (in 1997, China vetoed the establishment of a peacekeeping operation in Guatemala for the same reason but had later changed its mind). Currently, there is speculation that at least parts of UNPREDEP might stay on under the umbrella of some other international organisation (such as the OSCE) or as a result of bilateral agreements between Macedonia and the states who sent the peacekeepers. A third option being discussed is that the mission might stay on as a NATO-sponsored operation conducted in close co-operation with the UN Security Council and the UN Secretary General. Any such solution would be in the interest of both Macedonia and the international community since the absence of a UN mission with a clear mandate to secure Macedonia's security and integrity might prove problematic in the long run. At the moment, however, there are few indications for such a solution. The Nordic soldiers of UNPREDEP are currently packing, planning to leave Macedonia in mid-April. Thus, only US soldiers from UNPREDEP are currently poised to remain in Macedonia.

Who stands to profit from the deal between Macedonia and Taiwan? For Taiwan, diplomatic recognition from a European state marks a major diplomatic success. Most other states that have diplomatic relations with Taiwan are in Latin America, Africa, and the Pacific. It remains to be seen, however, to what extent Macedonia's economy will profit from aid and investment flows from Taiwan. It is clear that Macedonia recognised Taiwan for economic reasons. What is less clear is how much money Macedonia will actually receive from Taiwan.

In first statements, Tupurkovski said that Taiwan would provide around 400 million German marks in direct financial aid over the next four years, and that direct foreign investment could be as high as several billion dollars over the next few years.¹⁰ He said technical aid from Taiwan would amount to a minimum of \$30 million (28 million Euros) per year, and that Macedonia could also profit to the tune of \$40 million (37 million Euros) by acting as a middleman for Taiwanese imports in to Europe. During his first public meeting after returning from Taiwan, Tupurkovski specified that over the next four years, Macedonia would receive \$20 million (18.5 million Euros) per year to support its trade balance, and \$30 million (28 million Euros) in technical assistance. In 1999, it would receive an additional \$30 million (28 million Euros) for social programs.¹¹

¹⁰ Tupurkovski interview with Kanal 5 Television, cited by MILS, 1 February 1999.

¹¹ MILS, 5 February 1999.

On 17 February, a Taiwanese delegation visited Macedonia to get a first picture of the country's economic situation. And on 2 March, Taiwanese Foreign Minister Hu arrived at the head of a 25-strong delegation of businessmen, bankers and agricultural experts. The Taiwanese spoke in upbeat terms of the prospect of close economic and trade co-operation, but they also made it clear that direct investment would depend on decisions taken by the Taiwanese business community. A memorandum of understanding was signed by the two foreign ministers. The memorandum provides for economic co-operation and envisages the formation of a Macedonian-Taiwanese fund aimed at supporting Macedonia's economy. Hu, however, did not say how much money Taiwan would provide for the fund. More Taiwanese delegations are expected to arrive in Macedonia in the coming months to continue investigations into the state of Macedonia's economy and its potential for investment. Prime Minister Ljubco Georgievski is expected to visit Taiwan soon, probably in April.

In early March 1999 Macedonia received \$10 million (9.25 million Euros) in direct aid from the Taiwanese government.¹² The money, according to Tupurkovski, will be used for loans to small businesses. Enterprises taking out loans will have to buy Taiwanese equipment and employ at least one person previously unemployed (in order to get the government's plan to create 10,000 new jobs off the ground). Tupurkovski also announced that Taiwan will provide a further \$169 million for nine projects through the EBRD, as well as small loans for agricultural businesses.¹³ Taiwan also contributed an initial \$2 million (1.85 million Euros) to help Macedonia cope with the refugees from Kosovo, a figure which could well rise as the crisis unfolds.

But while direct aid is already flowing in from Taiwan investment by Taiwanese entrepreneurs will depend on the Macedonian government's ability to provide stable and favourable economic conditions. Macedonia is a small market and the purchasing power of the population is low. Its location on the south-eastern edge of Europe becomes less attractive as the Kosovo crisis escalates.

In order to secure direct foreign investment from Taiwan — as well as from other countries — Macedonia needs to bring its legislation up to European standards, remove red tape and fight corruption. If the Macedonian government fails to create the necessary conditions for investments the chances of Taiwanese business investing in the country are slim. This would have grave consequences for Macedonia's economy and for the standing of the government, especially for Tupurkovski, who masterminded the recognition of Taiwan.

VII. WARMING OF MACEDONIAN-BULGARIAN RELATIONS

On assuming office, the new government announced that it would switch the country's approach towards its neighbours from the former government's policy of "equidistance" to a new one of "positive energy." The first big change in this respect was the breakthrough in relations with Bulgaria. Although Bulgaria was

¹² MILS, 5 March 1999.

¹³ MILS, 17 March 1999.

the first state to recognise Macedonia in 1992, it has refused to recognise the existence of a distinct Macedonian nation or language. As a result, about two dozen bilateral treaties and conventions remained unsigned, and relations between Macedonia and Bulgaria stagnated for several years.

On 10 February 1999, however, it was announced that the two governments had agreed to sign a joint declaration of co-operation, which would remove the obstacles that had thus far prevented better bilateral relations. The announcement came at the second round of talks held between the Macedonian and Bulgarian governments.

During a visit to Sofia, on 22 February 1999, Georgievski and his Bulgarian counterpart Ivan Kostov signed the bilateral declaration and seven other bilateral agreements (on promotion and protection of investments; avoidance of double taxation; trade co-operation; international road traffic; regular air services; consular convention; and protocol for co-operation between the Foreign Ministries of the two countries). The bilateral declaration states that the two sides are committed to the development of comprehensive relations and co-operation "based on mutual respect, trust, understanding, good-neighbourliness and mutual respect of their countries and peoples."

On the previously contested issues of nationality and minorities, the declaration states that "the two countries shall not undertake, incite or support unfriendly activities against each other".

"Neither country shall allow its territory to be used against the other country by organisations and groups whose goal is to carry out subversive, separatist or other activities which threaten the peace and security of the other country".

"The two countries do not have territorial claims against each other and will not have such claims in the future".

"The Republic of Macedonia declares that nothing in its Constitution may or should be interpreted — now or ever — as a basis for interference in the internal affairs of the Republic of Bulgaria with the aim of protecting the status and the rights of persons who are not citizens of the Republic of Macedonia".

"The two countries shall undertake effective measures for prevention of hostile propaganda by institutions and agencies and shall not permit activities of private entities which incite violence, hatred or other similar activities which could harm the relations between the Republic of Bulgaria and the Republic of Macedonia."¹⁴

The equally contested language issue was resolved by using the formulation that the document was made "in two original copies, each one in the official languages of both countries, Bulgarian language, in accordance with the Constitution of the Republic of Bulgaria, and Macedonian language, in accordance with the Constitution of the Republic of Macedonia, each text being equally authentic."

¹⁴ The complete text of the Bulgarian-Macedonian declaration is available at the Web site of the Bulgarian Government Information Office (<http://www.bulgaria.govrn.bg/>).

The Social Democratic opposition in Skopje, as well as some radical ethnic Macedonian organisations in both countries, criticised the declaration as a sell-out of Macedonian national interests, in particular with regards to the promise to not interfere in Bulgaria's internal affairs. This was seen as an opportunistic move to the disadvantage of ethnic Macedonians in Bulgaria (which Sofia refuses to recognise as a national or ethnic minority). It was also claimed that it runs counter to Article 49 of the Macedonian constitution ("The Republic cares for the status and the rights of those persons belonging to the Macedonian people in neighbouring countries, as well as Macedonian expatriates..."). Opponents also criticised the solution to the language problem as failing to explicitly recognise the Macedonian language as distinct from the Bulgarian one.

However, in September 1995, the previous government agreed to similar clauses in the Interim Accord concluded with Greece, which resulted in the lifting of the Greek blockade of Macedonia and the establishment of diplomatic relations between the two countries. Article 6 of this agreement stated that neither the preamble nor Articles 3 ("The borders of the Republic of Macedonia may be changed only in accordance with the constitution") and Article 49 of the Macedonian constitution constituted a basis for interference in other countries' internal affairs. The Interim Accord does not even mention the two countries by name, merely referring to them as "the Party of the First Part" and "the Party of the Second Part" (Greece and Macedonia, respectively), and it was only made in English, and not in Greek or Macedonian.

The day the joint Macedonian-Bulgarian declaration was signed in Sofia, the Bulgarian government also donated 150 tanks and 150 howitzers to Macedonia. Although the equipment is said to be outdated, it is still a welcome present for the ill-equipped Macedonian army. But more than anything it must be seen as a symbol of the new status of bilateral relations. High-level political meetings have continued ever since Georgievski's visit to Sofia, and a host of activities in various spheres are currently being planned.

For Macedonia, better relations with Bulgaria present a chance to improve its standing in the region. Combined with good relations with Albania and a possible warming of relations with Greece, of which there have been indications recently, Macedonia is aiming to position itself in a considerably more advantageous situation than it was in just a few months ago.

VIII. KOSOVO FALLOUT

The continuing crisis in Kosovo has had a tremendous impact on Macedonia. Macedonia is hosting NATO troops, which will be part of the Alliance's implementation force in Kosovo (KFOR) if and when a peace agreement emerges. By mid-March, over 10,000 troops from various countries had arrived in Macedonia, and the rest of the force, which is estimated to total around 28,000, will also transit through Macedonia if Yugoslavia agrees to their deployment in Kosovo. The troops currently in Macedonia are mostly stationed in the north of the country, around Skopje, Kumanovo, and Tetovo, but also in other locations. While details have yet to be confirmed, it is almost certain that considerable parts of KFOR will remain stationed in Macedonia even after a deployment in Kosovo.

Not all Macedonian citizens have welcomed the arrival of this force. The ethnic Serb minority, for obvious reasons, is opposed to NATO troops, which might be used to "occupy" their "mother state." The pro-Belgrade Democratic Party of Serbs in Macedonia, together with several small Communist parties, launched protest meetings throughout Macedonia and pledged to "kick out NATO with bare hands" if necessary. Those initial protest meetings were attended by a few thousand people at best, and did not indicate a real threat to either NATO or other members of the international community in Macedonia, or to Macedonian stability, for that matter. Shortly before the launch of NATO air strikes against Yugoslavia, Miletic told the BBC's Greek Service that Yugoslavia had the right to attack NATO facilities in Macedonia. He also claimed that Macedonian citizens had approached his party in order to sign up as volunteers and fight on the Serb side.¹⁵ Whether the Yugoslav army will retaliate against NATO troops in Macedonia is unclear, but both NATO and the Macedonian Army have been put on alert and are patrolling the border with Kosovo and Serbia. However, the fact that the Yugoslav army on 31 March captured three US soldiers does not bode well. Currently it is unclear whether the three men fell into the hands of the Yugoslavs on Macedonian or Yugoslav territory. One likely possibility is that they were in a part of the border region where the border has not been delineated yet, i.e. an area to which Yugoslavia also lays claim.

On 25 March, however, protests against NATO air strikes and the NATO presence in Macedonia turned violent. A group of around 3,000 protesters, mostly ethnic Serbs, caused considerable damage to the US embassy in Skopje, smashing windows, demolishing embassy cars, and trying to set alight the embassy building. The protesters also attacked a nearby hotel in which members of both NATO and the OSCE's Kosovo Verification Mission (KVM) are accommodated, as well as representatives of the international media. The hotel was blocked for hours and cars were destroyed, but the protesters did not manage to storm the hotel. The protests were finally dispersed after the demonstrators had made their way to the building in which the German and British embassies are housed. There they met special police units, which used tear gas to break up the crowd, but only after some damage had been caused there as well. Around 60 people were arrested in the violent incidents, including Miletic. Miletic was present during the protests and addressed the crowd, telling them that he had to "kick NATO out of [Macedonia]."¹⁶

Ethnic Serbs aside, there are also signs of dissatisfaction among other parts of the population. For one, many ethnic Macedonians feel close to the Serbs, historically and even more so culturally. Many Macedonians do not trust their own ethnic Albanian minority, and some are openly hostile to them. These people fear that a settlement in Kosovo that is advantageous to the Albanians there might prompt Macedonia's ethnic Albanians to make similar demands. For the more anti-Albanian Macedonians, the KFOR troops are helping the adversary, and they therefore view them with distrust.

Clearly, the longer NATO troops are forced to sit idle in Macedonia and wait for the go-ahead to move into Kosovo, mistrust and even hostility on the part of some sections of Macedonia's population is likely to increase. The protests of

¹⁵ *Dnevnik*, 23 March 1999.

¹⁶ *Dnevnik*, 26 March 1999.

25 March may have only been the beginning of a period of growing discontent. The situation will also be affected by the continuing NATO air strikes against Yugoslavia.

Macedonia is also faced with a very serious refugee problem. For many Kosovars, especially those living in the southern part of the province, Macedonia is the obvious place to seek refuge from Serb attacks and atrocities. Many Kosovars have relatives and friends in Macedonia, and Macedonia is more readily accessible than northern Albania. Since the start of NATO air strikes on Yugoslavia, what was once a trickle of refugees across the Kosovo-Macedonia border has now turned into a stream.

As refugee figures started to increase, the Macedonian government said that the country could temporarily accommodate up to 20,000 refugees from Kosovo. After the failure of the Rambouillet and Paris talks, and the increased fighting in Kosovo, numbers of refugees entering Macedonia increased drastically. On 22 March alone, around 2,500 people from Kosovo crossed into Macedonia. Within a few days, some 10,000 refugees entered Macedonia.

On 23 March, the government officially closed the border for Yugoslav citizens. This move came about after the drastic increase in the number of refugees fleeing from Kosovo. In the evening of 23 March, the border was reopened, and more refugees came in. However, the Macedonian authorities decided to only allow refugees from areas which had suffered direct Serb contact (when fighting took place) to enter the country. This decision had been scrapped and all refugees are now allowed into Macedonia.

The decision to close the border was taken for a number of reasons, many of which are psychological. For one, parts of the governing coalition and many citizens are afraid that a large influx of Albanians from Kosovo will upset Macedonia's fragile ethnic balance. It is feared that refugees might not register, live with relatives in Macedonia, and then possibly just stay in the country once the Kosovo crisis is resolved.

The second reason for the government's wariness to let more refugees come in is economic. The state coffers are empty, pensions could not be raised and are paid late anyway, and public sector wages might have to be cut. In this situation, the government finds it increasingly difficult to explain to the public that millions of dollars are being spent on refugees.

However, the Macedonia government received money from the international community to cover these costs once refugee figures increased, and international organisations were directly covering certain costs related to the refugee influx. Most government expenses were reimbursed by the UNHCR, and the European Commission also announced its willingness to provide assistance early on.

Following the start of NATO air strikes against Yugoslavia, the number of refugees dropped sharply for a few days. On 25 March, considerably fewer refugees than in previous days crossed into Macedonia. The main reason for this seems to be that they were simply unable to reach the border.

According to the Macedonian Interior Ministry, by 24 March a total of 13,000 refugees have been registered officially, of which 3,500 were receiving

humanitarian aid. However, on the same day, the Head of the OSCE Spillover Monitor Mission to Skopje, Ambassador Faustino Troni, put the actual number of Kosovars in Macedonia at around 20,000.¹⁷ The discrepancy between these figures may lie in the fact that many refugees failed to register with the Macedonian authorities on arrival, and many others were met at the border by ethnic Albanians from Macedonia and driven straight to relatives' or friends' homes.

On the first weekend after the air strikes started the number of refugees increased dramatically. With ethnic cleansing under way in Kosovo, many thousands arrive in Macedonia every day, although their total number is still considerably smaller than that of Kosovars seeking refuge in Albania. Nonetheless, by 1 April the number of refugees exceeded 35,000, according to Interior Ministry figures. As a consequence, the government finally started setting up facilities to take care of the refugees and decided to use schools and sports halls as provisional accommodation.

Meanwhile, international aid is coming into Macedonia in considerable amounts, both as financial aid and in kind contributions. The European Union has pledged several tens of millions of Euros in humanitarian assistance, balance-of-payment support, budget support, and through other means. Many governments have also promised considerable aid.

Both the government and the international community should make it clear to the Macedonian public that the resources aimed at tackling the refugee crisis is coming mostly from the international community, and, in no way affects the Macedonian Government's overall expenditure on its citizens. The government should not try to use unforeseen circumstances – such as the refugee crisis as an excuse to cover up other financial problems. Short-term and populist political considerations should not gain the upper hand and create a hostile atmosphere against either refugees or the international community.

Nonetheless, the international community must continue its support and be prepared to provide Macedonia with increased financial, logistical, and other necessary support to cope with the present refugee crisis, particularly if the large influx continues in the coming days and weeks. The alternative to such support would be either a humanitarian catastrophe (if Macedonia refuses to accept more refugees) or a large number of refugees coming to other European countries. Apart from humanitarian considerations, supporting Macedonia is necessary in order to keep inter-ethnic relations there from deteriorating. It can not be in the international community's interest to see yet another crises evolve in the Balkans. If the number of refugees in Macedonia reaches a point that is no longer manageable by Macedonia alone, then the international community must be willing to provide shelter for refugees in other countries. So far, countries in the region such as Greece, Bulgaria and Turkey have expressed their willingness to take some refugees, but the numbers they are ready to accept may prove negligible if the exodus from Kosovo continues.

Given the intensification of NATO air strikes against Yugoslavia, the continued fighting in and around Kosovo - resulting in a rising number of displaced persons and refugees fleeing the province, it is important that the Macedonian

¹⁷ A1 Television News, 24 March 1999.

government stick to its current line of keeping the borders open. As long as the international community continues to cover the costs of the refugee crisis, there is no excuse for closing the border.

IX. DIFFICULT COHABITATION

With the accession of the new government, Macedonia entered into its first cohabitation between a cabinet and a president from two different political camps. This cohabitation has not worked thus far, and it is unlikely to improve with presidential elections scheduled for this fall. Experience from cohabitation has outlined some weaknesses in the Macedonian constitution, which need to be addressed at a future point in order to avoid a similar outcome in the future. This is of particular importance given that a future cohabitation may well last a lot longer than the current one, which is quite likely to end with the upcoming presidential elections.

It was clear from the outset that relations between the leading figures in the new government and President Kiro Gligorov would not be easy. The VMRO–DPMNE accused the then-ruling Social Democratic Union of Macedonia (SDSM) of fraudulent election practices in the 1994 parliamentary and presidential elections, which the SDSM and Gligorov went on to win. The history, programme, and constituencies of the VMRO–DPMNE and Gligorov's SDSM also differ considerably. Furthermore, during the parliamentary election campaign of fall 1998, Gligorov in a television interview strongly attacked DA Chairman Vasil Tupurkovski, accusing him of having been willing to bargain away Macedonia's name in return for diplomatic recognition in 1992. This direct meddling in the campaign by the head of state was neither statesmanlike nor particularly wise, and it did nothing to endear the eventual victors to him.

Gligorov, in keeping with the constitution, duly mandated Georgievski as the leader of the biggest parliamentary group to form a new government. However, frictions started almost as soon as the new government was confirmed. The first open clash came when Gligorov objected to the amnesty law passed in December 1998, which would have released a number of ethnic Albanian politicians from prison but would also have reduced the sentences of convicted criminals. The Macedonian constitution fixes no time limit by which the president must sign or veto a law, but Gligorov took almost a month to return the amnesty law to the legislature, using for the very first time the right of veto. The delay caused by Gligorov sparked strong criticism from the ruling coalition, in particular from President of the Parliament Savo Klimovski, who wrote an indignant letter to Gligorov asking him not to delay the process any longer and either sign or veto the amnesty law. The letter was of course published in the press and caused further friction between the two main political camps. Klimovski also rejected a demand by Gligorov to address the parliament on the issue of the amnesty law.

The next quarrel was sparked by the recognition of Taiwan, to which Gligorov strongly objected. He called the move a "small coup d'état" and openly protested it. Again, he was not allowed to address the legislators and as a result went on state television to address the population directly. In a long and at times tearful speech, he accused the government of endangering

Macedonia's security and damaging Macedonia's international reputation. Gligorov described the decision to recognise Taiwan as an "illegal move" and called on the citizens to oppose it through democratic means.¹⁸ On the other hand, Deputy Prime Minister Dosta Dimovska (VMRO-DPMNE) on 22 February said that "Gligorov and Milosevic are the last communist dictators in the region, and Gligorov will soon leave [his] position."¹⁹ This statement was not only rude and insulting to the president, it was also untrue. Gligorov was a high-level functionary in Socialist Yugoslavia, but he is definitely not a dictator. This statement indicates how strained relations are and how little will there is to find an accommodation.

When Gligorov was finally allowed to speak to the parliament on 23 February, he received a cold reception from the majority, and later in the same session, both Klimovski and Georgievski openly criticised him. Gligorov in his speech to the legislators complained that the "other part of the executive branch," i.e. the president, was simply being ignored.²⁰ Also, in connection with the recognition of Taiwan, Gligorov made it quite clear that he was not willing to receive the Taiwanese ambassador and his credentials. Klimovski, for his part, replied by telling Gligorov that in the future, he would not allow him to "lecture" the parliament. Later on, however, Klimovski apologised to Gligorov for some of his remarks.

These virtual "non-relations" between the government and the president do not help to foster political culture in Macedonia. While there has been no constitutional crisis thus far, further friction on certain issues is quite likely, and this in turn could eventually impair the ability of the state to function smoothly.

The present problems do not only stem from different political views of the government and the president. Some of the differences are as a result of unclear provisions in the current constitution. In the planned overhaul of the constitution, these issues will have to be addressed, regardless of whether future amendments will strengthen the position of the president or that of the Prime Minister.

The most obvious omission in the current constitution concerns the right of the president to veto legislation. According to Article 75, the president has a suspending veto, but the article fails to set a deadline by which the president has to exercise his veto. This created problems in connection with the amnesty law, and similar cases can not be ruled out for the future. An amendment requiring that the president exercise his veto within one or two weeks from the passing of a law would certainly help to insure that the process of adopting legislation functions smoothly.

A second potential problem stems from the division of responsibilities in the sphere of foreign and security policy. While the government is generally in charge of formulating and executing state policy (Article 91), the President is the Commander-in-Chief of the armed forces (Article 79) and the chairman of the Security Council of the Republic of Macedonia, which "considers issues relating to the security and defence of the Republic and makes policy proposals to the

¹⁸ MILS, 1 February 1999.

¹⁹ MILS, 23 February 1999.

²⁰ *Dnevnik*, 24 February 1999.

Assembly and the Government" (Article 86). Thus, he also has some influence in this field. In an uneasy cohabitation such as the current one, this division of responsibilities can create friction. Only a foreign and defence policy adopted by a wide consensus can guarantee that such friction does not develop into an outright constitutional crisis.

X. A LOOK AHEAD: THE FALL 1999 PRESIDENTIAL ELECTIONS

After the 1998 parliamentary elections and the convincing victory of the "Coalition for Changes" (VMRO–DPMNE and DA), it seemed a foregone conclusion that DA Chairman Vasil Tupurkovski would become the next president. As the joint candidate of VMRO–DPMNE and DA, he was the clear favourite against any SDSM candidate.

But things do not look as clear anymore. While the Social Democrats have yet to name their candidate, it is obvious that the SDSM candidate should not be written off beforehand, especially if dissatisfaction with the government increases. Still, the SDSM candidate is not likely to win unless the ruling parties make serious political mistakes. The most likely SDSM candidate at this point is former President of the Parliament Tito Petkovski, who is reasonably popular and has thus far not been implicated in any corruption scandals. Among the "outsiders" who might run, Stojan Andov of the Liberal-Democratic Party (also a former chairman of the parliament) or the newly elected LDP Chairman and Mayor of Skopje, Risto Penov, should be mentioned. However, neither of them stands a realistic chance of getting into the second round unless they manage to conclude a coalition with one of the major parties, something that currently looks highly unlikely.

But the main question is who the ruling coalition will support. Initially, it was believed that Georgievski and Tupurkovski had agreed that if Georgievski became Prime Minister, Tupurkovski would be nominated as the joint presidential candidate of the two parties. However, such a deal has never been confirmed officially, and Tupurkovski himself has not officially declared his candidacy yet. Parliamentary President Savo Klimovski, however, told a visiting Taiwanese delegation that the new Taiwanese ambassador would hand over his credentials to Tupurkovski in the late fall.²¹

But such a statement does not take into account the position of certain parts of the VMRO–DPMNE leadership. Many within the party feel that as the strongest political force they have to field their own candidate. Even if there is a deal between Georgievski and Tupurkovski, the Prime Minister might be forced to take such a position into account. A number of possible VMRO–DPMNE presidential candidates have already been named, among them deputy party leader and Finance Minister Boris Stojmenov and the theatre director Ljubisa Georgievski, who was the VMRO–DPMNE candidate in the last presidential elections. Stojmenov in particular is in a fairly strong position. He is a successful businessman, and, in contrast to other leading VMRO-DPMNE

²¹ MILS, 3 March 1999.

members does not depend solely on Georgievski's support. In addition to this, Stojmenov was one of the main financiers of the party over the past years. However, recent criticisms Georgievski raised against Stojmenov might well mean that he does not stand such a good chance of being nominated after all. The pressure on Ljubco Georgievski to put forward a "genuine" VMRO-DPMNE candidate might also mount if Tupurkovski fails to deliver on his promise to bring in considerable amounts of foreign investment and if his popularity drops as a result.

If VMRO-DPMNE really decides to field a candidate of its own, then the race is open and the outcome hard to predict. If Tupurkovski decides to run as well, there is a distinct possibility that he will not even get into the run-off, since the VMRO-DPMNE electorate is more numerous, stable and consolidated than that of the DA. If, on the other hand, the SDSM candidate drops out after the first round, the Macedonian public will witness the spectacle of two candidates from the ruling parties running against each other. This may well poison the atmosphere between VMRO-DPMNE and DA and eventually endanger the coalition.

A VMRO-DPMNE decision against Tupurkovski could even lead to a break-up of the current coalition before the elections. Clearly DA has more to lose in such a scenario, since they benefited disproportionately from the division of ministerial posts and other positions in the public administration and public enterprises. Many DA members may well be inclined to accept a VMRO-DPMNE presidential candidate if they can keep their jobs in return. For the VMRO-DPMNE, on the other hand, a split of the current coalition is less risky than for the DA. The VMRO-DPMNE and DPA together would still hold 60 of the 120 seats in the assembly. Even if they were one deputy short of an outright majority, it is clear that as long as VMRO-DPMNE and DPA stick together no government can be formed against them. If DA were to leave the coalition, the two remaining parties might find it harder to sell the idea of a coalition consisting of two nationalist parties, without the influence of a third more moderate party. Right now, however, it seems that there is less friction between VMRO-DPMNE and DPA than between either of them and DA. If DA for one reason or another left the coalition, the LDP might be ready to step in and fill the gap. At the recent party congress, newly elected party leader Risto Penov said that one of his goals was to lead the LDP into the government.

A complete picture of potential presidential hopefuls has yet to emerge. Indeed, the constitutional provision that a candidate must be named by at least 30 parliamentary deputies or by 10,000 eligible voters who sign in his or her favour (Article 81, 1), further mars the development of a clear picture. In the current parliament, only the VMRO-DPMNE has more than 30 deputies. So, even the SDSM candidate must either bargain for the support of deputies from other parliamentary groups, or his party must collect the necessary signatures. This poses no problem for the Social Democrats or for the Liberal Democrats (who have four seats), however, other candidates might find it harder to collect the necessary number of signatures. If the VMRO-DPMNE do decide to go it alone, Tupurkovski would be forced to collect signatures since his party holds only 13 seats in the current assembly.

Regardless of the final outcome, the presidential election promises to be enthralling. A clearer picture of who will run, and on which ticket, should not be expected for a while. The next VMRO-DPMNE congress is scheduled for May 1999, and the party is unlikely to commit itself to Tupurkovski or a candidate of

its own before that time. It is likely that the VMRO–DPMNE’s decision will ultimately depend on the strength of the various factions within the party and on the party’s assessment of Tupurkovski’s popularity, and if this is enough to merit support.

XI. CONCLUSION AND RECOMMENDATIONS

The first few months of the new government’s term in office presents a varied picture. On the positive side, inter-ethnic relations have remained stable and can even be said to have improved on some levels. Relations with some of Macedonia’s neighbours, most notably Bulgaria, have improved dramatically and the recognition of Taiwan might bring badly needed foreign capital into the country.

At the same time, problems still persist. The economy is still vulnerable, the state coffers are almost empty, and many of the promises of the new government have failed to materialise. The new government’s employment policy and its approach towards the media also raise some concern.

The Kosovo crisis adds a further and arguably more complex burden on Macedonia, which has thus far accepted over 35,000 refugees. In this field, close co-operation with the international community is needed.

ICG recommends that:

- The practical issues thrown up by a system of political cohabitation need to be addressed. Macedonian politicians should consider amending the constitution in order to avoid future problems arising from the cohabitation of a president and a government from different political camps. In particular, a deadline for a presidential veto on legislation needs to be introduced.
- The Macedonian government should develop consistent and realistic economic and social policies which can be implemented immediately and create a climate which is favourable to foreign investment in Macedonia.
- The government should refrain from interfering in the independence of the media, both state-run and private. Government-appointed media managers should not punish journalists for voicing their opinion just because it does not coincide with the line of the ruling parties.
- Professional qualifications rather than party affiliations must be the main qualification for filling posts in the State Administration.
- After an encouraging start, the Government should further work to improve inter-ethnic relations.

Note:

ICG recommendations in relation to Kosovo can be found in other ICG reports.