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## THE OUTBREAK OF THE ALBANIAN- -MACEDONIAN ARMED CONFLICT IN 2001 – THE ECONOMIC SITUATION

### ABSTRACT

In the discussion of the armed conflict in Macedonia the economic theory of civil war was used, presented by Paul Collier, Anke Hoeffler and Dominic Rohner. The authors of the theory based their assumptions on a “feasibility hypothesis”, that is the possibility of a rebellion, claiming that “where a rebellion is possible, it will take place”, with relevant economic factors in place. Once they were analysed, it became clear that they were very important in the case of Macedonia as the economic crisis offered some groups of Albanians reasons for expressing their dissatisfaction more radically as well as claims *vis à vis* the state authorities in Skopje, but also led to corruption, discontinuation of reforms, and illegal trade on a large scale.

**Key-words:** the economy of Macedonia, Albanians in Macedonia, Albanian rebellion, 2001 in Macedonia, economic reforms in Macedonia

### INTRODUCTION

In recent literature dealing with the Albania-Macedonian conflict in Macedonia in 2001, the authors note the important role of the economic crisis and organized crime in the country, which had been impossible to stop in view of the weakness of the state structures. Some even suggest that the so-called “new war”<sup>1</sup> broke out because of eco-

<sup>1</sup> I. Tomovska, ‘Macedonia 2001 and Beyond: New or Old War?’, *HUMSEC Journal*, No. 2 (2008), p. 83.

nomic reasons. In the literature of the subject such wars are also known as “new-type internal wars or wild civil wars”.<sup>2</sup> One of the newest theories of civil war was presented by Paul Collier, Anke Hoefler and Dominic Rohner.<sup>3</sup> It is an economic theory to which some authors refer when discussing the armed conflict in Macedonia.<sup>4</sup> The fundamental difference lies in that this was traditional research based on motivation, whilst the theory proposed by Collier, Hoefler and Rohner based on the “feasibility hypothesis”. In other words, the modern theory of civil war focuses on the possibility of rebellion rather than motivation, stating that “where a rebellion is feasible, it will occur”.<sup>5</sup> The authors mention two most obvious material conditions for rebellion: financial and military<sup>6</sup>, indicating three economic factors making the country prone to civil war, namely: the level, the dynamics and the structure of income.<sup>7</sup> This theory is extraordinarily useful in forecasting the likelihood of a civil war in a given country. The authors of the theory conducted their studies, which covered the years 1966-2004, taking into account various internal armed conflicts in the years 1991-1992 and 1998-1999.

The present paper highlights the economic situation of Macedonia in the years of its independence (1991-2000) and show to what extent economic factors were decisive for the Albanians to raise an armed rebellion in the north-western part of the country. However, the main goal is to establish how this difficult economic situation, resulting in corruption, organized crime and highly profitable illicit trade in arms and drugs, might have happened. In early 2001, Skopje's authorities tried to restore order, but it ended up with a revolt, of which Albanian politicians took advantage becoming its leaders, raising political slogans and calling for independence. In the present paper, the financial mobilisation of Albanians in Macedonia, Kosovo, Preševo Valley, Albania and the Albanian Diaspora, as well as their military (armed) effort in Macedonia, Kosovo and Preševo Valley, without which the revolt would not have been possible, are intentionally omitted with the focus on economic results in the years 1991-2000.

<sup>2</sup> R. Kłosowicz, ‘Państwa upadłe i ich destabilizujący wpływ na stosunki międzynarodowe’ in I. Stawowy-Kawka (ed.), *Czynniki stabilizacji i destabilizacji w stosunkach międzynarodowych na początku XXI wieku. Księga pamiątkowa poświęcona Profesorowi Lubomirowi Zyblikiewiczowi*, Kraków 2009, p. 388.

<sup>3</sup> P. Collier, A. Hoefler, D. Rohner, *Beyond Greed and Grievance. Feasibility and Civil War*, Oxford 2008 (*The Centre for the Study of African Economies Working Paper Series*, 254).

<sup>4</sup> N. Papakostos, ‘The Role of Organized Crime in the Eruption, Management and Resolution of the Yugoslav Republic of Macedonia’ in M. Risteska, Z. Daskalovski (eds.), *One Decade after the Ohrid Framework Agreement: Lessons (to be) Learned from the Macedonian Experience*, Skopje 2011, pp. 162-193.

<sup>5</sup> P. Collier, A. Hoefler, D. Rohner, *Beyond Greed and Grievance...*, p. 3.

<sup>6</sup> The revolts had sufficient financial resources to wage the war and to organize non-governmental armed troops.

<sup>7</sup> Developing their feasibility theory Collier, Hoefler and Rosner also mention other important features of the country at major risk of civil war. They include the political factor – whether the country was earlier dependent on another state, the demographic factor – the population's age structure (the number of men aged 15-29) and geographical factors – the mountainous terrain. The length of the period of peace was one of the key factors to identify the country's stability, with the beginning of war as the starting point.

## THE YEARS 1991–1994

Macedonia was one of the poorest republics in the Yugoslav Federation. The new government had to tackle many difficulties connected with transforming the system and Macedonia entering the path of the market economy. Closures of inefficient state-owned enterprises caused a dramatic growth of unemployment, earlier unknown to the previously communist country. The government spared no effort to balance the budget, pay off foreign debts and reconstruct the banking system. Soon it turned out that this challenge was very difficult to meet, and, on top of that, Macedonia faced economic isolation. The crisis occurred for many reasons. The country's close ties with the Yugoslav economy broke down. It became apparent that the economy of this young country was in a very difficult situation. The country's economic basis was limited and the condition of small industrial businesses was rather poor, similarly to heavy industry focused on Yugoslavia's market. 70% of Macedonian trade relied on the Yugoslavian republics, including Serbia (60%). As a result, the international embargo placed on Yugoslavia (in which Macedonia was also involved) interrupted contact.<sup>8</sup> The situation was even more aggravated in the aftermath of the Greek economic blockage.<sup>9</sup> In this way Macedonia, situated on the crossing of major trade routes,<sup>10</sup> found itself entrapped between its neighbours. The main transport arteries, motorways (in total 176 km) and railway roads (231 km), which ran basically north-south from Belgrade through Skopje to Saloniki, could no longer be used. Economic isolation was a fact.

The demise of the Council for Mutual Economic Assistance, the main economic partner of the former Yugoslavia, as well as the wars in Croatia, Bosnia and Herzegovina had an adverse effect on Macedonia's economy. All economic indicators were very low, which showed Macedonia had much to do to catch up. In the years 1991–1993, the official unemployment rate was 19%. In reality, it reached 40% because many workers employed in production plants did not actually work, and a large number of the unemployed were not registered.<sup>11</sup> The unemployed were mostly young people, 80% of them seeking their first job. In 1991 the inflation rate reached 115%, skyrocketing to 1,691% in 1992. Starting from 3.6% in 1991, the budget deficit tripled in 1992, to reach 13.4% in 1993. Arable land constituted only 27% of the country's area, accounting for 22% of the total economic production. The average monthly salary in 1993 was 3,700 de-

<sup>8</sup> Sanctions imposed on Yugoslavia by the UN continued from mid-1992 till the end of 1995.

<sup>9</sup> Greece imposed an embargo in April 1994. It lasted eighteen months.

<sup>10</sup> Greece refused access to Thessaloniki.

<sup>11</sup> N. Uzunov, 'Stopanskiot razvoj vo Republika Makedonija vo periodot 1945–1994 godina' in *ASNOM – pedeset godini makedonska država 1944–1994. Prilozi od naučen sobir održan na 17–18 noemvri 1994*, Skopje 1995, p. 363 gives the number of the officially unemployed in 1990 – 11.8%, whilst those without a job – 38.8%. S. Bužar, 'Geographies of Ethnopolitics: Unravelling the Spatial and Political Economies of "Ethnic Conflict"', Issues in South East European Studies at Oxford (SEESOX). European Studies Centre, *Occasional Paper*, No. 7/06 (2006), p. 16 states that in the Pologregion (northwestern Macedonia) the unemployment rate was as high as 49.87%.

nars, i.e. around 87 US dollars. A large proportion of the local population relied on help from their families abroad. This led to mass emigration for economic reasons to Western Europe, America and Australia. Around 200,000 people worked abroad out of the total population of 2 million. There was only one phone per seven residents, one doctor per 454 inhabitants and one dentist per 1,800 people. The average family spent 44% of its income on food and 11% on clothing. Bread was still the basic product in the Macedonians' diet. The average resident of Macedonia consumed 119 kg of bread per year, 89 kg of vegetables and only 31 kg of meat.<sup>12</sup>

In this very difficult economic situation, with the legacy of the post-communist economy based on self-governance, Macedonia made efforts to overcome the severe economic crisis and to start reform by transforming its economy. The first steps in this direction were taken by Ante Marković's government, before the disintegration of Yugoslavia. But attempts at reform pursued by the Kljusev and Crvenkovski governments in the years 1991-1993 in independent Macedonia proved insufficient. On top of that, due to the Greek veto, the Republic of Macedonia had no access to international institutions.

Table 1. Selected economic indicators in Macedonia in the years 1991-1994  
(GDP and inflation in%, further indicators in% GDP)

	1991	1992	1993	1994
<b>GDP</b>	-6.2	-6.6	-7.5	-1.8
<b>Inflation</b>	115	1 691	350	122
<b>Budget deficit</b>	-3.6	-9.8	-13.4	-2.3
<b>Revenues</b>	...	39.3	40.2	43.1
<b>Expenses</b>	...	49.1	53.6	45.8
<b>FDI</b>	00	00	00	0.7

Source: 'FYR Macedonia. Country Economic Memorandum Tackling Unemployment', Report No. 26681-MK, World Bank, September 2003, p. 15.

## THE YEARS 1995-2000

The recognition of Macedonia and its acceptance as a member of the UN (under the name: FYROM) opened its way to the International Monetary Fund (April 1993) and the World Bank (December 1993), and therefore the authorities could launch a more ambitious programme. The legal basis for privatisation was created in mid-1993, and a new programme of stabilization and reform was supported by first World Bank loans of USD 40 million. A similar amount was transferred by the Institute of Agriculture

<sup>12</sup> Ch. Chiclet, 'La Macédoine en 1994-1995. Un pays déstabilisé', *L'Europe Centrale et Orientale*, Vol. 33 (1996), p. 175.

Development, whilst the International Monetary Fund and numerous foundations, including the SOROS Foundation, granted USD 17 million of aid to the country. The donors were aware that Macedonia needed urgent aid because social tensions in the face of the severe economic crisis were particularly dangerous in that region. Albanian and Roma minorities – most severely unemployment – and poverty-stricken – might easily have turned an ethnic crisis into a political one. It was estimated that 100,000 families lived in poverty. In June 1995, about 132,000 workers of state-owned enterprises had not received their salaries for 3-4 months, whilst others received them irregularly. The growing pauperisation of the population led to social unrest.

Despite the difficult economic situation, a constant flow of Albanians to Macedonia was seen, chiefly from neighbouring Kosovo. Those who were permanent residents of Macedonia earned their living mostly on agriculture, cultivating tobacco, beans, corn and wheat – which were the most profitable crops. In the cities they built private motels and petrol stations. They also opened private radio and TV stations or printing companies, usually investing the money earned abroad. A large group was in trade, including illicit trade. In view of the crisis, economic isolation, i.e. the closing of the borders as a result of embargoes, the state tolerated such illegal practices for a long time. Trade and smuggling mainly concerned hydrocarbon products, handicraft products, drugs and some food products. However, along with food, tobacco, alcohol and petrol, the arms trade also flourished. According to official government data, in the years 1992-1998, 723 instances of illegal trafficking in arms were discovered and 836 sentenced. In the years 1999-2002, this number grew substantially, by as much as 70%.<sup>13</sup> The wars in former Yugoslavia created favourable conditions for such practices, so the arms trade turned out to be a profitable source of income.

The work of Natalija Nikolovska and Gordna Siljanovska-Davkova<sup>14</sup> provides very interesting data on that matter. The authors analyse, inter alia, state budget revenues after VAT was introduced in the Skopje municipality with a population of 545,000 and budget revenues grew from 75.4% in 1999 to 77.7% in 2000. In the Tetov municipality, the second-largest in terms of population (172,000 residents), the share dropped from 2.13% in 1999 to 1.78% in 2000, in the Gostivar municipality from 0.93% in 1999 to 0.77% in 2000. On the other hand, larger districts with a prevailing Macedonian population, e.g. the Bitola community, revenues were twice as high as in Tetov, even though the population was three times smaller.<sup>15</sup> In order to demonstrate the “crisis of laws” affecting western Macedonia, the authors also used another example. The rate of building residential houses in western Macedonia was at its highest just before the outbreak of the conflict in 2001. In 1999, in Skopje, 345 residential houses were built in Tetov, in Gostivar 187, in Struga 142, whilst in central and western Macedonia, respectively: 51 in Bitola,

<sup>13</sup> *Bela kniga na vladata 1998-2002. Republički izborni štab na VMRO-DPMNE i Liberalna Partija*, Skopje 2002, p. 33.

<sup>14</sup> N. Nikolovska, G. Siljanovska-Davkova, *Makedonskata tranzicija vo defekt. Od unitarna kon binacionalna država*, Skopje 2001.

<sup>15</sup> *Ibid.*, pp. 51-52.

79 in Prilep, 77 in Štip and 34 in Veles. In the year of the Kosovo crisis, in some very small (rural) municipalities, e.g. Zajas (population: 2,106) 36 residential houses were built, in Aračinov (population: 9,912) 38 houses and in Velešta (6,419 residents) 52 houses.<sup>16</sup> The above data show that the Velešta municipality, 15 times smaller than Bitola, experienced a great boom. Referring to other statistical data, the authors proved beyond doubt that any traces of the economic crisis in western Macedonia had long disappeared. This happened because of the international trade in goods that did not go through legal channels. As a result of illicit trade, official income per capita in western Macedonia was the lowest, whilst expenditures, including investment, reached a very high level.

Not only the Albanians or the Roma, who were the most affected by the economic crisis, were involved in illicit trade. The studies show that both Albanian and Macedonian elites were corrupt and involved in illicit trade. Hristina Bojadzieva<sup>17</sup> contends that in the 1990s corruption in Macedonia was more widespread compared with other economies undergoing a period of transformation (the so-called “transition economies”) in Eastern and South-Eastern Europe. Economic calculations have shown that recession in Macedonia was chiefly due to corruption and a low FDI rate.<sup>18</sup> In the years 1991-2002 covered by the study, corruption in the country was reduced by one point on a ten-point scale, which was translated into economic growth by 0.41% per year. Moreover, every one-percent increase of FDI caused an increase in the income dynamics by 0.104%.<sup>19</sup> The corruption rate (on a 1-10 scale, where 10 is the best result, no corruption or minimal corruption) in 1999 in Macedonia accounted for 3.3% according to the Transparency International Corruption Perceptions Index.<sup>20</sup> In the first years of independence, corruption in the country reached its highest level, with easy profit, the disintegration of control structures of the state, such as the judiciary, the police and legal regulations on combating corruption and the banking system. According to the report of the International Crisis Group (ICG of 14th August 2002), corruption in Macedonia was of an “endemic” nature, whilst the police acted rather “stupidly” in combating it, so it could be suspected that local authorities conspired with organised crime.<sup>21</sup> Biljana Stojanovska links the growth of corruption and illicit trade

<sup>16</sup> Ibid., p. 53.

<sup>17</sup> H. Bojadzieva, ‘Factors of Economic Growth in the Transition Economies of Eastern Europe: The Case of Macedonia’, *Issues in Political Economy*, Vol. 14 (2005), at <<http://org.elon.edu/ipe/Bojadzieva%20final.pdf>>, 28 December 2012. The study covered 25 countries that began their independent way towards post-communist transformation in the early 1990s.

<sup>18</sup> FDI – Foreign Direct Investment.

<sup>19</sup> Ibid., pp. 9-10.

<sup>20</sup> *Corruption Perceptions Index, 1999*, Transparency International, at <[http://www.marsgroupkenya.org/pdfs/Oct\\_07/CPI/Corruption\\_Perceptions\\_Index\\_1999.pdf](http://www.marsgroupkenya.org/pdfs/Oct_07/CPI/Corruption_Perceptions_Index_1999.pdf)>, 28 December 2012.

<sup>21</sup> ‘Macedonia’s Public Secret: How Corruption Drags the Country Down’, *ICG Balkans Report*, No. 133, Skopje–Brussels, 14 August 2002, at <<http://www1.worldbank.org/publicsector/anticorrupt/Macedonia%28Crisisweb%29.pdf>>, 28 December 2012; see also ‘Macedonia: Government corruption; whether business owners are forced to pay bribes to corrupt officials; ramifications of non-payment’, MCD40447.E, UNHCR, at <<http://www.unhcr.org/.../country,,IRBC,,MKD,,3f7d4dc87>>, 28 December 2012.



with the situation in neighbouring Kosovo. The instability in Kosovo spread to former Macedonia.<sup>22</sup> Not only was anticorruption legislation missing, but the courts were largely dependent on the executive power which was also the case when Macedonia was still part of Yugoslavia. The judicial system was still unreformed. In addition, corruption practices were an acceptable form of business activity which was profitable and safeguarded individual interests. In her report, Vanja Mihajlova indicates many irregularities in privatization transactions, namely: the lack of public procurement procedures, understating the company's value, bribery among state officials. Although the Privatization Agency claimed its independence, its staff and Board influenced the processes of privatization.<sup>23</sup>

The privatization of state-owned enterprises speeded up at the end of 1994. It covered as many as 1,200 plants, including 115 large plants employing over 250 workers, around 300 medium-sized enterprises with 150-250 workers and other smaller enterprises, so as a result another group of 15,000 joined the army of the unemployed. Zvet Zeqiri wrote about the negative effects of privatization on Albanians, stating that: "Selling a company to its managers was considered one of the best methods of privatising an enterprise, which effectively discriminated against the Albanians. The method was a real barrier to involving Albanians in the process of privatisation, because there were no Albanian managers who might have actively participated in this process."<sup>24</sup>

The currency reform ran in parallel with privatisation. As early as April 1992 Macedonia's authorities issued its own currency – Macedonian denar (360 denars = 1 MKD). A year later they already had the new Macedonian denar, and the reform that was implemented stopped hyperinflation.<sup>25</sup> The turn of 1995/1996 was a breakthrough in Macedonia's economy. The situation ceased to decline, and in 1996 GDP growth was recorded for the first time (around 1.2%). The GDP per capita in 1995 amounted to USD 800. The Macedonian denar stabilised at a level of 37 denars = DM 1. Alongside international aid and the reform policy, the abolition of the Greek blockage in October 1995 and of economic sanctions imposed on Yugoslavia significantly contributed to the improvement of the overall economic situation. It is assessed that the blockade resulted in the loss of around USD 40 million per month, whilst the economic sanctions against Yugoslavia cost USD 2 billion per year.<sup>26</sup> Despite the open-

<sup>22</sup> Б. Стојаноска, 'Корупцијата во Македонија. Битка со несоодветни средства', *Евродијалог. Списание за европски прашања*, No. 15 (2011) at <[http://studiorum.org.mk/evrodiialog/15/pdf/EVRODIJALOG\\_Br\\_15\\_Stojanoska\\_MAK.pdf](http://studiorum.org.mk/evrodiialog/15/pdf/EVRODIJALOG_Br_15_Stojanoska_MAK.pdf)>, 28 December 2012.

<sup>23</sup> V. Mihajlova, 'Report on Anti-Corruption Issues in the Republic of Macedonia', SELDI, 25 October 2001, at <<http://www.seldi.net/indexh.php?id=2020>>, 28 December 2012.

<sup>24</sup> I. Zeqiri, 'The Economic Causes and Consequences of the 2001 War and the Consolidation of the Economy after the Crisis' in F. Bieber (ed.), *Power Sharing and the Implementation of the Ohrid Framework Agreement*, Skopje 2008, p. 90.

<sup>25</sup> W. Gruber, 'Die wirtschaftliche Entwicklung Makedoniens seit 1991', *Österreichische Osthefte*, Vol. 40, No. 1-2 (1998), p. 439.

<sup>26</sup> F. Abrams (ed.), *A Threat to "Stability". Human Rights Violations in Macedonia*, Helsinki–New York 1996, p. 16, claims the US estimates sanctions imposed on Serbia and Greek embargo cost the Republic of Macedonia USD 4 billion.

ing of borders, illegal business was still growing. It was estimated as much as 40% of the population's income in 1995 was earned on the black market.

Beyond any doubt, privatization was still ranked among the greatest economic challenges to the restoration of economic stability in the years that followed. In 1996, six hundred more enterprises were privatized. The programme of ownership transformation foresaw that most industrial plants would be privatized by the end of 1998. 150 enterprises, including 25 large production plants, still awaited privatization in that year. New owners lacked capital and experience to manage such large companies, and the prospects for direct foreign investment were not very bright. The region was still considered economically unstable and unable to attract foreign capital. Ownership rights and their enforcement had a great impact on the economic results, but Macedonia's situation in this respect was rather unclear in view of the poor condition of the country's legal system. It was inefficient and unable to enforce contracts. In mid-1997, capital engaged in Macedonia amounted to USD 48 million, i.e. USD 23 per capita. It was a very low figure for a post-communist country, exceeding only the amount of foreign capital involved in Ukraine and Moldavia. New companies, with just one or two employees, emerged chiefly in the commerce sector. Another weakness of the process of reforms was the low rate of privatization of large farms, as testified by the fact that only 43% of them were privatized by the end of 1997. Another major challenge was the reform of the banking system, which had been undergoing restructuring since 1996.

Table 2. Selected economic indicators in Macedonia in the years 1995-2000  
(GDP and inflation in%, others in% GDP)

	1995	1996	1997	1998	1999	2000
<b>GDP</b>	-1.1	1.2	1.4	3.4	4.3	4.5
<b>Inflation</b>	16	3	4	1	1.0	6.0
<b>Budget deficit</b>	-0.7	-1.4	-0.4	-1.7	0.0	2.5
<b>Revenues</b>	38.3	35.7	34.8	33.3	35.4	36.6
<b>Expenses</b>	39.0	37.1	35.1	35.0	35.4	34.1
<b>FDI</b>	0.2	0.3	0.4	3.3	0.9	4.9

Source: 'FYR Macedonia. Country Economic Memorandum Tackling Unemployment', Report No. 26681-MK, World Bank, September 2003, p. 16.

Ivana Tomovska<sup>27</sup> indicates three reasons for the Albanian rebellion in 2001:

1. disadvantaged situation and poverty,
2. weakness of state institutions,
3. corruption and organised crime.

<sup>27</sup> I. Tomovska, 'Macedonia 2001 and Beyond: New or Old War?', *HUMSEC Journal*, No. 2 (2008), pp. 83-84.



She uses the term *new war* to define the situation in which criminal groups in the region take advantage of social problems and the weakness of state institutions and mobilize paramilitary groups to acquire financial profits using violence as a method of consolidation of power. By using the Diaspora's help and propaganda, media, symbols and speech, nationalist feelings were revived and people mobilized to action. "New wars' occur in areas of economic stagnation, they are served by a small number of people but [...] they lead to the criminalization and disintegration of the society".<sup>28</sup> The author suggests that the conflict in Macedonia broke out because criminals wanted to protect their interests within a wide network of criminal activities chiefly consisting of illicit trafficking in arms, drugs and people (taking advantage of ethnic tensions).<sup>29</sup> The authors of the Swedish International Development Cooperation Agency's analysis from October 2003 stressed that the illegal activities in which the Albanians got involved in north-western Macedonia was a decisive factor for the outbreak of the armed conflict in 2001: "Taking advantage of the strategically important position of Macedonia, the mafia networks based in the north-western parts are in control of very lucrative criminal activities, such as the smuggling of tobacco and drugs, money laundering and trafficking of humans".<sup>30</sup>

The economic situation of Macedonia forced the Albanians to take action and create underground organizations connected with their Diaspora in Western Europe. In the period of economic chaos after the demise of the communist system, the key factor for Albanian business activity was their special Albanian culture, deeply rooted in their traditional, patriarchal clans, where such values as loyalty, honour and strong family ties prevented effective penetration by outsiders and fostered the creation of mafia-type organizations.

Members of the mafia could enrich themselves by selling high volumes of weapons, petrol and oil, in particular after Albanian arsenals were raided in 1997.<sup>31</sup> Misha Glenny<sup>32</sup> puts forward a similar thesis, stating that criminals were the greatest beneficiaries of the collapse of Yugoslavia, as under the chaos of war they were able to develop their operations throughout the Balkans. The Albanian rebellion which took place in Macedonia in 2001, was to provide the Albanians with even greater benefits from

<sup>28</sup> Ibid.

<sup>29</sup> Ibid., p. 86. The author claims that during the 2001 conflict about 10,000 weapons were distributed among civilians.

<sup>30</sup> L.J. Lock, *Macedonia. A Conflict Analysis*, SIDA, October 2003, at <<http://www.sida.se/globalassets/publications/import/pdf/en/macedonia-a-conflict-analysis.pdf>>, 28 December 2012.

<sup>31</sup> Ibid.

<sup>32</sup> M. Glenny, *The Balkans. Nationalism, War, and the Great Powers, 1804-1999*, New York 1999. In his Granta Publications, 11.11.2012 – 800 seminal work the author challenges the thesis that the conflict in the Balkans was caused by animosities between the nations living there. However, over the centuries they were able to create alliances and cooperate with each other. Thus he reveals an often catastrophic relationship between Europe and the Balkans, and asks a few disturbing questions about western intervention in the region. See also: P. Battersby, J.M. Siracusa, S. Ripiloski, *Crime Wars. The Global Intersection of Crime, Political Violence and International Law*, Santa Barbara 2011, pp. 61-89.

the illicit trade in tobacco, drugs, arms and women.<sup>33</sup> The signing of the border agreement between Yugoslavia and Macedonia in 2001 was to strictly limit the freedom of smuggling and illicit trade. This was a serious concern to the mafia structures covering north-western Macedonia, southern Kosovo and northern Albania. However, this is not the only reason for the Albanian-Macedonian armed conflict of 2001. Most certainly it was the reason why Albanian groups radicalized their attitudes towards the Skopje government and incited their compatriots' dissatisfaction and demanding attitude.

The economic problems of Macedonia were not only caused by the hardships of the reforms, corruption among the highest authorities and illicit trade, which in the period of political transformation aggravated the economic crisis, but also by external factors. Macedonia was seen as an example of stability and peace, the only post-Yugoslav republic without a bloody conflict, a country which achieved independence by peaceful means and was able to safeguard their citizens on its own, a cornerstone of democracy and stability in the region. However, as stated by political analysts, the country did not receive economic support in its difficult situation.<sup>34</sup> The lack of economic stability encouraged Albanians (as well as Macedonians and other minorities) to engage in illegal activities. According to Henryk J. Sokalski<sup>35</sup> "[...] small Macedonia could and should have become a model example of western support for emerging new democracies [...] In the early nineties, a well-prepared, one-off 'Marshall plan' for Macedonia would do".<sup>36</sup> But aid from the European Union and implementation of economic programmes came too late and were insufficient.

In 1996, the European Union became Macedonia's first economic partner (exports 35.1%, imports 38.6%), with Yugoslavia ranked second, followed by Slovenia and Bulgaria.<sup>37</sup> Cooperation with EU Member States resulted in the signing of an economic agreement in June 1996, loans amounting to ECU 150 million and aid from the PHARE programme (Poland and Hungary: Assistance for the Restructuring of their Economies)<sup>38</sup>, and from the European Bank for Reconstruction and Development,

<sup>33</sup> Ibid., p. 655.

<sup>34</sup> K. Bassuener, *The Future of Macedonia. A Balkan Survivor Now Needs Reform* Washington 2001, p. 5 (*Special Report (U.S. Institute of Peace)*, 67).

<sup>35</sup> H.J. Sokalski, *Odrobina przewencji. Dorobek dyplomacji przewencyjnej ONZ w Macedonii*, trans. by A. Kozłowski, Warszawa 2007, p. 134. Henryk J. Sokalski served in Polish diplomacy for 25 years and in the UN for more than ten years, holding, inter alia, the post of the 2<sup>nd</sup> Deputy Secretary General. In the years 1995-1998, in his capacity as Secretary General Special Representative, he supervised the UN forces in Macedonia.

<sup>36</sup> Ibid.

<sup>37</sup> 'EIU Country Report 1<sup>st</sup> quarter 1998: Macedonia, Economic structure', The Economist Intelligence Unit, p. 37, at <<http://store.eiu.com/Product.aspx?pid=50000205&gid=1320000332&c=994070099>>, 20 April 2013; see also *Nowa Makedonija*, 20 September 1996, p. 13.

<sup>38</sup> The programme of non-repayable financial aid the EU granted to the countries of Central and South-Eastern Europe. Initially it was to cover only Poland and Hungary – hence its name. To be eligible for aid, the country needed to respect the rule of law, human rights, democracy and the market economy.

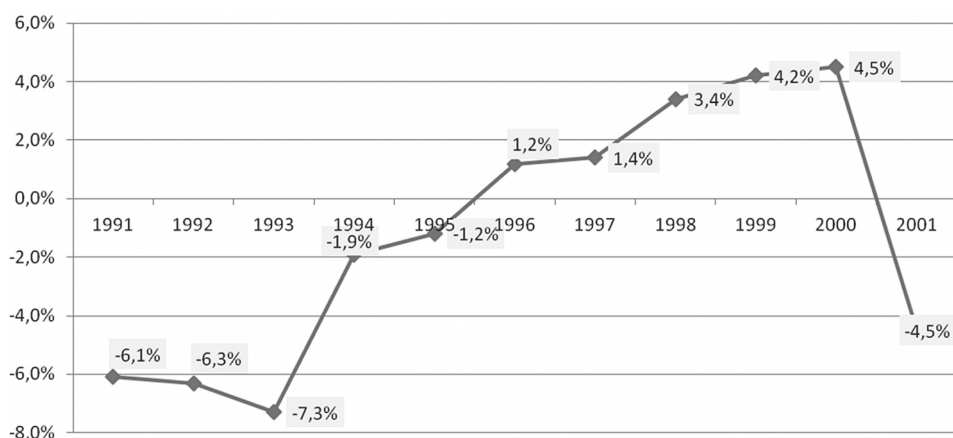
amounting to ECU 25 million. Despite the ambitious economic reforms, restructuring, and, first of all, privatization, the Macedonian economy was still far from stable. Though economic growth continued, it was not until the 1<sup>st</sup> of December 2000 before the Republic of Macedonia could report success in its diplomatic activities, in the form of the signing of bilateral trade agreements with Slovenia, Croatia, Yugoslavia, Turkey and Bulgaria.

Table 3. Trade Exchange of the Republic of Macedonia  
with other countries of the region in 2000<sup>39</sup>

State	Share in trade, in %
Slovenia	5.0
Croatia	3.1
Yugoslavia	15.4
Turkey	1.8
Bulgaria	3.7
Total	29.0

Later, agreements with Bosnia and Herzegovina and with Albania were signed, which was an important fact after 2002. In December 2000, Macedonia was included into the EU's Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme implemented in the years 2001-2006.

Chart 1. GDP dynamics in the Republic of Macedonia 1991–2001 (in %)



<sup>39</sup> *Bela kniga...*, p. 65.

However, the improvement of the economic situation at the end of Macedonia's first decade as an independent state was insufficient. Lacking serious support from outside, Macedonia saw growing poverty, whilst its citizens more than once engaged in illegal activities such as illicit trade or corruption, or else emigrated seeking a job abroad in their struggle for survival. This caused instability and mistrust in the state structures, and thus also the weakness of the country, of which the Albanians took advantage.

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