

30 January 1996

A4-0020/96



## REPORT

on the Commission proposal for a Council Regulation (EEC) amending Regulation (EEC) No 3906/89 with a view to extending economic assistance to the former Yugoslav Republic of Macedonia (COM(93) 0402 final - C4-0507/95 - 95/0814(CNS))

Committee on External Economic Relations

Rapporteur: Mr Peter Kittelmann

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By letter of 15 November 1995 the Council consulted the European Parliament, pursuant to Article 235 of the EC Treaty, on the Commission proposal for a Council Regulation (EEC) amending Regulation (EEC) No 3906/89 with a view to extending economic assistance to the former Yugoslav Republic of Macedonia.

At the sitting of 17 November 1995 the President of Parliament announced that he had referred this proposal to the Committee on External Economic Relations as the committee responsible and to the Committee on Foreign Affairs, Security and Defence Policy and the Committee on Budgets for their opinions.

At its meeting of 28 November 1995 the Committee on External Economic Relations appointed Mr Kittelmann rapporteur.

At its meeting of 30 January 1996 the committee considered the Commission proposal and draft report.

At that same meeting the committee adopted the draft legislative resolution unanimously.

The following took part in the vote: De Clercq, chairman; Hindley and Sainjon, vice-chairmen; Kittelmann, rapporteur; Dimitrakopoulos (deputizing for Moorhouse), Falconer, Ferrer, Imbeni, Konecny, Malerba, Miranda de Lage, Nußbaumer, Sonneveld (deputizing for Schwaiger), Theorin (deputizing for Berès) and Van der Waal (substitute).

The opinions of the Committee on Foreign Affairs, Security and Defence Policy and the Committee on Budgets are attached.

The report was tabled on 30 January 1996.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

**A**  
LEGISLATIVE PROPOSAL

proposal for a Council Regulation (EEC) amending Regulation (EEC) No 3906/89 with a view to extending economic assistance to the former Yugoslav Republic of Macedonia (COM(93) 0402 final - C4-0507/95 - 95/0814(CNS))

The proposal is approved.

DRAFT LEGISLATIVE RESOLUTION

Legislative resolution embodying the opinion of European Parliament on the proposal for a Council Regulation (EEC) amending Regulation (EEC) No 3906/89 with a view to extending economic assistance to the former Yugoslav Republic of Macedonia (COM(93) 0402 final - C4-0507/95 - 95/0814(CNS))

(Consultation procedure)

The European Parliament,

-having regard to the Commission proposal to the Council (COM(93) 0402 final) - 95/0814(CNS)<sup>1</sup>,

-having been consulted by the Council pursuant to Article 235 of the EC Treaty (C4-0507/95),

-having regard to Article 58 of its Rules of Procedure,

-having regard to the report by the Committee on External Economic Relations and the opinions of the Committee on Foreign Affairs, Security and Defence Policy and the Committee on Budgets (A4-0020/96),

1. Approves the Commission proposal;

2. Call on the Council to notify Parliament should it intend to depart from the text approved by Parliament;

3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;

4. Instructs its President to forward this opinion to the Council and the Commission.

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<sup>1</sup>OJ No C 231, 27 August 1993, p. 15

B.  
EXPLANATORY STATEMENT

1. Since the collapse of the Eastern bloc at the end of the last decade, the European Union has been providing assistance in many different forms to the new and restored democratic states of Central and Eastern Europe to help them complete the process of political and economic reform. Whereas emergency humanitarian aid in the form of food deliveries was the priority in the initial stages, technical aid has subsequently assumed increasing importance. It was to this end that the PHARE Programme - 'Poland, Hungary - Assistance with Restructuring the Economy' - was called into existence, a programme that now includes all the reformed Central and Eastern European states in addition to the two original recipients.
2. Whereas the political and economic reform process proceeded peacefully in Central and Eastern Europe, in the south east of the continent, i.e. former Yugoslavia, a bloody civil war broke out after most of the constituent republics had declared their independence. The ethnic conflicts that had merely been papered over, but not resolved, by the communist regime proved a fertile historic breeding ground for reciprocated atrocities between Serbs, Croats and Bosnians, the appalling consequences of which included more than 200 000 dead, widespread devastation and an endless stream of refugees, along with the foredoomed attempt at ethnic cleansing of the map of Yugoslavia.
3. The European Union, which had ties to former Yugoslavia under a cooperation treaty similar to an association agreement, felt obliged, after the outbreak of military conflict in former Yugoslavia, initially to suspend that agreement in 1991, only to terminate it definitively shortly thereafter. The Union simultaneously imposed a trade embargo on rump Yugoslavia, consisting of Serbia and Montenegro. The name of Yugoslavia was also deleted from the list of PHARE Programme recipient countries.
4. After it had become clear that the constituent republic of Slovenia had more or less succeeded in keeping out of the conflict between Serbia, Croatia and Bosnia, and after the Union had recognized the separate constituent republics as independent states, the Commission proposed some first steps towards normalizing economic and trade relations with the new republics of former Yugoslavia. In addition to autonomous grants of trade concessions corresponding to those of the former cooperation agreement, it was also proposed that all those states not directly participating in the continuing civil war should be reintegrated into the PHARE Programme. This included, in addition to Slovenia and Croatia, the former Yugoslav republic of Macedonia.
5. Whereas the attempt to secure the prompt reintegration of Croatia failed initially owing to objections from the European Parliament, which justified its resistance mainly on the grounds of Croatia's far from transparent role in the conflict in Bosnia-Herzegovina, and did not succeed until April 1995, when the EP finally gave the green light despite continuing reservations, the reintegration of the former Yugoslav Republic of Macedonia, which had been able for the most part to keep out of the civil war, ran into difficulties with the PHARE

Programme arising from the bilateral relationship with Greece. Greece objected above all to the name of the new state, which is the same as that of Greece's northern province and which led Athens to suspect territorial claims on Greek territory from the new republic.

6. These suspicions were further strengthened by the fact that the newly founded state displayed the ancient Greek symbol of the sixteen-rayed star on its national flag and invoked the name of Alexander the Great as belonging to its traditional heritage. Greece consequently refused absolutely to tolerate the name 'Macedonia' for the newly formed state, whereupon the international community had to accustom itself to the acronym FYROM (Former Yugoslav Republic of Macedonia). This sensitivity of the south-eastern EU Member State, scarcely comprehensible to outsiders as it was, however appears more understandable against the background of Greek history, where, as regards the recent past, particular significance attaches to the communist attempted putsch in the late forties, following the failure of which the greater part of Greek communists had fled to neighbouring Yugoslavia and settled predominantly in the former Yugoslav republic of Macedonia.

7. Tension between both sides continued to heighten and finally came to a head with the trade embargo unilaterally imposed by Greece on 15 February 1994. Greece on that occasion invoked Article 224 of the EEC Treaty, which authorizes a Member State in the event of serious internal disturbances affecting the maintenance of law and order to take measures not necessarily in accordance with the provisions of the EC Treaty. The Commission immediately brought proceedings before the European Court of Justice, since it was convinced that the circumstances in question did not amount to grounds for invoking Article 224 of the EEC Treaty. It also applied to the ECJ for a temporary injunction to call a halt to the Greek embargo measures.

8. Movement in the deadlocked relations between Greece and FYROM was secured in September 1995 when both sides felt able to agree at the UN General Assembly in New York to bilateral fringe talks mediated by US-Yugoslavia negotiator HOLBROOKE. On 14 September 1995 an interim agreement on normalizing bilateral relations was signed, in which Greece recognized FYROM as an independent state and undertook to lift the trade embargo. Macedonia for its part undertook to forgo displaying any Greek symbols on its national flag and to bring its constitution into line with the principles of international law and good-neighbourly relations. The question of the exact designation of the newly formed state still remains unresolved however, so that we are still forced to choose between an acronym comprehensible only to initiates and the cumbersome formulation 'Former Yugoslav Republic of Macedonia'.

9. Following ratification by both sides Greece lived up to its commitments to the extent of lifting all trade restrictions on 15 October 1995. The Commission in turn withdrew its complaint from the Court of Justice on 23 October 1995. It further took steps immediately to normalize EU relations with the new state. In that connection it submitted a proposal to the Council of Ministers on 17 November 1995 for a negotiating mandate to conclude a cooperation agreement inclusive of a comprehensive financial protocol in the amount of ECU 20m, which the Council of Ministers approved on 22 December 1995.

10. Now that the bilateral problems between Greece and the new republic have been more or less cleared up, the time has come for the Commission proposal, which dates back to 1993 and is intended to reinstate FYROM in the list of PHARE-Programme recipient states, to be implemented at long last. That is the purpose of this report, on the basis of which it is assumed that the European Parliament will approve the proposal. Technically it is simply a matter of adding the entry 'the Former Yugoslav Republic of Macedonia' to the Annex to Regulation (EEC) No 3906/89 establishing the PHARE Programme. The Commission should at all events take the responsibility of ensuring that if definitive agreement is ever reached on the matter of the name, that Annex will be amended accordingly.

11. A glance at the economic situation in the former Yugoslav Republic of Macedonia shows how highly dependent the new state is for its economic restructuring on aid from western industrialized countries, above all the EU. With the collapse of former Yugoslavia and also as a result of the economic sanctions imposed on rump Yugoslavia, total productive economic activity measured as gross domestic product fell by more than a third between 1991 and 1994, and did not stabilize until the year just ended. Industrial production fell even more steeply, reaching about half its 1990 level in 1995. Around 30% of the population of working age is unemployed. There was also a surge in inflation, not least as a result of the liberalization of many prices previously fixed by the authorities. The cumulative effect was that annual average per capita income, which had reached \$1 078 in 1990, was nearly halved to no more than an estimated \$624 in 1994.

12. The government has meanwhile succeeded in more effectively stabilizing the economic situation as a whole. The balance of payments on trade and on current account now shows only moderate deficits. Net external debt ran to \$281m in 1994. The public sector deficit was brought down from 11.1% of gross national product in 1993 to 4% in 1994. The inflation rate, which had exceeded 1 000% in 1992, was forced down to 128% in 1994, and, to the extent that data are available, has fallen even further in the past year. At the same time the legal prerequisites necessary to a functioning market economy were further developed. In particular, a law was passed in January 1995 restructuring the large-scale, loss-making undertakings still owned by the state. Privatization has scored some successes with small and medium-sized undertakings, but larger firms are still encountering problems. In the continuing efforts to overcome the restructuring problems the country has in common with the other states of Central and Easter Europe, albeit on a smaller scale, the PHARE programme can be expected to make an important contribution.

O P I N I O N

(Rule 147 of the Rules of Procedure)

of the Committee on Foreign Affairs, Security  
and Defence Policy

for the Committee on External Economic Relations

Draftsman: Mr Pierluigi Castagnetti

At its meeting of 22 November 1995 the Committee on Foreign Affairs, Security and Defence Policy appointed Mr Pierluigi Castagnetti draftsman.

At its meetings of 9 January and 25 January 1996 it considered the draft opinion.

At the last meeting it adopted the conclusions as a whole unanimously.

Present at the vote: Malone, first vice-chairman and acting chairman; Castagnetti, draftsman; Aelvoet, Bernard-Reymond, van Bladel, Burenstam Linder, Dillen (deputizing for Muscardini), Dimitrakopoulos (deputizing for Casini), Fabra Vallés (deputizing for Gomolka), Fernandez Albor, Graziani, Habsburg, La Malfa, Laurila, Newens, Oostlander, Pradier (deputizing for Lalumière), Rehn, Robles Piquer, Titley and Truscott.



## I. BACKGROUND

1. With a surface area of 25 713 km<sup>2</sup> and a population of 1 936 877, according to the most recent census carried out with the aid of European Union experts in 1994, the Former Yugoslav Republic of Macedonia is certainly the weakest link in the chain of former Yugoslav Republics after Bosnia-Herzegovina. Its weakness is due primarily to its ethnic mix which reflects the background instability of the Balkans. The population of Macedonia is made up of the following ethnic groups, according to this official census<sup>2</sup>:

- Macedonian (66.5%)
- Albanian(22.9%)
- Turkish(4.0%)
- Romany(2.3%)
- Serbian(2.0%)
- Walachian(0.4%)

Macedonia's fragility is highlighted in the report (PE 215.213) by the Delegation for relations with South-east Europe as being a product of the result of the opposition between Macedonians and Albanians. As long as a dialogue is kept open between the ethnic groups the country's stability is preserved. However, tragic events occurring elsewhere, for example in Kosovo, could lead to an influx of Albanian refugees which could alter the delicate balance between the ethnic groups in the Former Yugoslav Republic of Macedonia and possibly even result in the intervention of neighbouring states. Bulgaria, for example, recognizes the state of Macedonia but not the Macedonian nation.

2. The second reason for the fragility of the Former Yugoslav Republic of Macedonia is historical.

Macedonia, a historic region from which the Greek civilization spread as far as Asia, was the birthplace of Philip of Macedonia and Alexander the Great. It was conquered by the Romans and then, from the VIIth century onwards, disputed by the Bulgarians and the Byzantines. In 1380 Macedonia became a province of the Ottoman Empire.

The Macedonian question was revived in 1870 with the creation of a Bulgarian exarchate within the Orthodox Church which included Macedonia. After the Russo-Turkish war of 1877-1878, the Sublime Porte agreed, under the Treaty of San Stefano, to create a Greater Bulgaria including extensive areas of Macedonia. However, the major powers reneged on this Russian solution at the Berlin Congress (1878) and Macedonia was reincorporated into the Ottoman Empire. The Macedonian question was finally settled by the two Balkan wars of 1912-13 and then, after the First World War, when the first Yugoslavia was created.

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<sup>2</sup>N.B. These figures are disputed, particularly by the Albanians who claim to constitute 40% of the population of Macedonia. The ethnic and cultural implications of the term 'Macedonian' are also controversial.

In 1918 the region was in fact part of the Kingdom of Serbs, Croats and Slovenes, without enjoying any particular status. In 1946 it was established as a republic within the Federal People's Republic of Yugoslavia.

3. On 15 September 1991 the federate state of Macedonia seceded from the Yugoslav Federation following a referendum held on 8 September 1991 when 95.8 per cent of the voters chose independence. This independence has to be viewed in the context of the break-up of Yugoslavia following the proclamations of Slovenian and Croatian independence on 25 June 1991. In view of the fact that independence was accompanied in each case by war, which lasted a short time in the case of Slovenia, a little longer in Croatia and was desperately long in the case of Bosnia-Herzegovina, the Former Yugoslav Republic of Macedonia should be paid tribute for succeeding in remaining outside all these conflicts.

4. The decision of the United Nations Security Council in December 1992 to deploy Blue Helmets, as a preventive measure, in the Former Yugoslav Republic of Macedonia has to be viewed in the context of the tension in the Balkans. There are at present 1200 Blue Helmets in Macedonia, a large proportion of whom are American. This act of preventive diplomacy helped prevent the war which ravaged Bosnia-Herzegovina from reaching Macedonia. The Blue Helmets were deployed along the whole length of its borders.

5. The wave of independence mentioned above raised the question, in the arena of international law, of the recognition of the Former Yugoslav Republics which had now become independent states. In response, the Council of the European Community adopted a document on 16 December 1991 entitled *Guidelines on the recognition of new States in Eastern Europe and in the Soviet Union* - since the Soviet Union had also been dissolved on 8 December 1991.

The Arbitration Commission, known as the Badinter Commission after its chairman and was set up by the Conference on peace in Yugoslavia, examined the situation of each of the new States emerging from the Former Yugoslav Federation in the light of the above-mentioned Guidelines.

In an opinion published on 11 January 1992, the Arbitration Commission considered that *the Republic of Macedonia satisfied the conditions laid down in the Guidelines on the recognition of new States in Eastern Europe and in the Soviet Union and in the statement on Yugoslavia adopted by the Council of Ministers of the European Community on 16 December 1991.*

6. Despite the assurances given by the Macedonian Government to the Badinter Commission, one European Union Member State considered them inadequate. Greece had raised issues which had to be settled before the new Macedonian State was recognized; these were the new State's name and its national emblems, which Greece regarded as belonging to its own cultural and historic heritage, the Macedonian constitution, of which certain articles might support expansionist ambitions focused on the Greek part of historical Macedonia.

In order to be understood, these fears have to be considered against the historical background briefly outlined above and in the context of the creation of a second Yugoslavia during a period in which Greece was plagued by civil war. Moreover, this semantic dispute was conducted in the context of a renewed outbreak of war in the Balkans, an area with which Greece has common borders.

7. Macedonia was admitted to the UN on 8 April 1993 under the name of the Former Yugoslav Republic of Macedonia and without a flag. On 16 December 1993 a number of European Union Member States decided to recognize this country in spite of Greece's opposition.

8. In order to force the Former Yugoslav Republic of Macedonia to alter the name it had taken and its national emblems, and to amend its constitution, Greece imposed an economic embargo on Macedonia on 16 February 1994 on the basis of Article 224 of the EC Treaty. The Commission regarded this as a unilateral action which obstructed the common market and initiated proceedings in the Court of Justice of the European Communities to oblige Greece to lift its embargo. In an order dated 30 June 1994 the Court dismissed the Commission's request to impose provisional measures against Greece pending the final judgment on the grounds that the Commission had not been able to provide proof of the serious and irreparable harm caused to the Community by the Greek embargo.

On 6 April 1995, the Advocate-General of the Court published his conclusions pointing out that, under Article 223 of the EC Treaty, a Member State may take such measures as it considers necessary for the protection of its security and that consequently Greece was entitled to invoke this article since its decision was primarily a political decision which could not be judged according to any legal criteria.

9. Finally, after this politico-legal episode, direct discussions were opened between Greece and the Former Yugoslav Republic of Macedonia under the auspices of the United States. These negotiations ended on 13 September 1995 at the UN headquarters in New York with the conclusion of an agreement between the two parties.

Under this agreement the Former Yugoslav Republic of Macedonia undertook to alter its flag and the disputed articles of its constitution. For its part, Greece would lift its embargo. Finally, the parties would open negotiations on the question of Macedonia's name in the coming month.

On 5 October 1995 the Skopje Parliament passed a law replacing the flag bearing the Vergina Star emblem with a new one depicting a stylized sun and, on 9 October 1995, it ratified the agreement reached in New York.

On 12 October 1995 the Former Yugoslav Republic of Macedonia was officially admitted to the OSCE where it had hitherto only enjoyed observer status.

On 14 October 1995 Greece finally lifted its embargo prompting the Commission to withdraw the complaint it had lodged against Greece in the Court of Justice of the European Communities.

On 22 December 1995, the Council of the European Union finally approved a negotiating mandate empowering the Commission to negotiate a trade and cooperation agreement with the Former Yugoslav Republic of Macedonia as a prelude to closer ties with the European Union in as far as conditions will allow in this particularly sensitive part of the Balkan region.

It should be noted that negotiations on the name are still underway and Macedonia is continuing to use its provisional name of the Former Yugoslavia Republic of Macedonia.

## II. THE COMMISSION PROPOSAL

10. The Commission proposes to amend Regulation (EEC) No. 3609/89 with a view to extending the PHARE programme to the Former Yugoslav Republic of Macedonia, as has already been done in the case of Slovenia and Croatia. The aid granted under this programme could amount to ECU 25m a year, this figure being purely indicative.

## III. CONCLUSIONS

11. The Committee on Foreign Affairs, Security and Defence Policy takes the general view that the extension of the PHARE programme to any country should be conditional upon a commitment by that country to:

- respect the fundamental principles of international law, including those concerning the territorial integrity of states and their independence, the agreements the state in question has concluded with third countries and the commitments it has entered into in international fora;
- support all measures designed to promote peace, stability, security and the development of good relations with neighbouring states.

12. In the particular case of the Former Yugoslav Republic of Macedonia, the Committee on Foreign Affairs, Security and Defence Policy believes that it is important to preserve the stability of this multi-ethnic state whose break-up could result at the very least in a direct confrontation between certain of its neighbours. This state continues to be fragile as the attempt on the life of President GLIGOROV on 3 October 1995 demonstrated.

13. In view of the fragile state of democracy in the Former Yugoslav Republic of Macedonia and the situation regarding human rights and the rights of minorities, it is clear that this state has succeeded, under harsh political and economic conditions - let it not be forgotten that Macedonia also felt the impact of the international community's embargo against the Yugoslav Federation (Serbia, Montenegro) - in maintaining a dialogue between the ethnic groups it comprises. This is emphasized by the Delegation for relations with South-east Europe in its report mentioned above. Macedonia's fragility is also an additional reason for taking any measures which might assist in stabilizing this state by helping its economy to modernize.

14. Under these conditions, the Committee on Foreign Affairs, Security and Defence Policy sees no further obstacles to extending the PHARE programme to the Former Yugoslav Republic of Macedonia. It therefore approves the Commission's proposal to extend the PHARE programme to this state. All the states emerging from the Former Yugoslavia should be eligible for it at a later date, as soon as they meet the democratic criteria laid down, because this programme can also contribute, on the basis of its own objectives, to reconstructing the economies destroyed by war.
15. Finally, the normalization of relations with all the states in the region should enable contractual ties to be established between the European Union and all the states which have arisen from the Former Yugoslavia and should lead to trade agreements or European association agreements. Slovenia is the example to be followed by the other states, provided all the outstanding problems are resolved.

## OPINION

of the Committee on Budgets

Letter from the chairman, Mr SAMLAND, and the vice-chairman and rapporteur, Mr TILLICH, to Mr DE CLERCQ, chairman of the Committee on External Economic Relations

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Brussels, 29 January 1996

Subject: Commission proposal for a Council regulation (EEC) amending Regulation (EEC) No 3906/89 with a view to extending economic assistance to the former Yugoslav Republic of Macedonia (COM(93) 0402 final - C4-0507/95 - 95/0814(CNS))

Dear Mr De Clercq,

The Committee on Budgets examined this proposal at its meeting of 29 January 1996 and reached the following conclusions:

The PHARE programme is a European Union aid programme to support economic and social reforms in the countries of Central Europe and to strengthen their developing market economy and new democratic societies.

Parliament has endowed this programme with progressively increasing financial aid as it shares and supports its objectives. This support will continue in the years to come.

The extension of the PHARE programme to cover the former Yugoslav Republic of Macedonia has been considered by the committee from a primarily budgetary viewpoint.

In this respect the Committee on Budgets has no objections to including the former Yugoslav Republic of Macedonia in the list of recipient countries as no amendment to the PHARE appropriations is involved. The committee would however point out that, by spreading PHARE's budget over a wider area, the principle of the concentration of funding has been watered down. It must also be made clear that adding a country to the PHARE programme cannot be an implied signal for a proportional increase, however calculated, in the funding for the PHARE aid which has been approved and planned in principle. The budget for PHARE, like other programmes, is decided in the budgetary procedure.

In respect of the overriding political considerations at stake in this proposal the Committee on Budgets will support the decision of the committee responsible.

The Committee on Budgets nevertheless emphatically points out that the structure of the PHARE Programme may not be amended without the prior approval of the budgetary authority; that consideration applies with particular force to reconstruction in former Yugoslavia.

Yours sincerely,

Detlev SAMLAND

Stanislaw TILLICH

The following took part in the vote: Samland, chairman; Willockx, third vice-chairman; Böge, Bösch, Brinkhorst, Christodoulou (deputizing for Bébéar), Colom i Naval, Dankert, Dell'Alba, Dührkop Dührkop, Elles, Gredler, Haug, Jöns (deputizing for Ghilardotti), König, Krehl, Kuckelkorn (deputizing for Trautmann), Müller, Mulder (deputizing for Porto), Pronk (deputizing for Theato), Tappin, Waidelich and Wynn.