

CIDSS



MMXXI

Vol.: IV, No.: I

ISSN: 2545-4854



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**EUROPEAN & BALKAN
PERSPECTIVES**

JOURNAL OF EUROPEAN AND BALKAN PERSPECTIVES

Scientific Journal of Contemporary European and Balkan Politics:

Law, Economics, Security Issues, Cultural and Ethnic Studies and Environmental Policies

Volume: **IV**
Number: **1**
Skopje **Spring**
2021

For the Publisher:

Center for International and Development Studies – Skopje

Центар за меѓународни и развојни студии – Скопје

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Address: “Anton Popov” Str. 35, 1000 Skopje

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For the Journal:

JEBP: **ISSN: 2545-4854**

Web: <https://cids.org.mk/index.php/en/publications/journal>

Indexed: **GIF Global Impact Factor – 0.198**

[\(http://globalimpactfactor.com/journal-of-european-and-balkan-perspectives/\)](http://globalimpactfactor.com/journal-of-european-and-balkan-perspectives/)

ROOT Indexing – Journal Abstracting and Indexing Service –

<http://rootindexing.com/journal/european-balkan-perspectives-JEBP/>

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As Editor-in-Chief of **Journal of European and Balkan Perspectives** I am delighted to announce the new issue for ending this third year of issuing our scientific journal. The focus of this number is the Balkan region in the contemporary world. Namely, the scientific fields in this number as such are part not only from the international security, but also are factor in every state's domestic policies, law and humanities. Besides the Balkans the topics of the articles in this issue are related to the economics, development and business policies in the Balkan states. I honestly hope that this number of the Journal will become a new perspective for the young generation of researchers and academia members.

Prof. Mitko Kotovchevski PhD,
Editor-in-chief of the
Journal of European & Balkan Perspectives

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***International Law,
International Relations
& The Balkans***

**UN RESPOND TO THE REQUEST OF BOSNIA AND HERZEGOVINA FOR
INTERNATIONAL MILITARY INTERVENTION: MEMBERSHIP IN UN AND
FRAMEWORK OF NEGOTIATIONS IN 1992**

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Abstract

For the United Nations use of military force remained the last solution in the process of ending the war in Bosnia and Herzegovina. Security Council for years insisted on peaceful means which showed to be unsuccessful policy in preventing crimes against humanity. Genocide in Srebrenica it was the momentum that reopened the debate on the capacities of UN to maintain international peace and security. Membership of Bosnia and Herzegovina and the request of the political leadership of the country for military support, in the early phase of the conflict, it gives an understanding not only about the roots and nature of the war but an answer on the question on how it was build the idea and policy of the Security Council for peaceful resolution of the war. The focus it is in the relationship between UN and the member state whose national security represented threat also for the international peace and security. The aim of this paper is to understand the approach of the organization and the course of the negotiations for the period when the war in Bosnia and Herzegovina it was in the initial phase. Analyzing the main UN Documents for the period May 1992 to January 1993, including resolutions, reports and verbatim records from the meetings, it is concluded that Security Council have had the necessary foundation to act upon Chapter VII of the UN Charter. The existence of threat for international peace it had been identified, on 13 August 1992, but prevailed idea that Security Council must take into consideration the provisions specified in the Chapter VI of the Charter.

Key words: military intervention, peaceful resolution, Bosnia and Herzegovina, UN

Introduction

In the preamble of the Charter of the United Nations it is clearly communicated the role and responsibility of UN to be the main international organization whose purpose is to preserve international peace and security. In November 1999, Secretary-General admitted that the organization failed to accomplish its mission in Bosnia and Herzegovina¹. Lives of thousands Bosnian civilians couldn't be saved. In the early phase of the conflict, Security Council decided the situation to be managed by peaceful means. In the terrain conditions rapidly changed but the approach of the organization remained the same. The commitment for peaceful resolution it was reconfirmed in the International Conference on the Former Yugoslavia. Expectations that restoration of peace can be achieved within few months gradually declined. Genocide in Srebrenica it was the momentum that reopened the debate on the capacities of UN to prevent conflict escalation and on readiness of the permanent members of Security Council to use force or threat of use of force in conflict resolution, particularly taking into consideration two components: Security Council had been informed that violence in Bosnia and Herzegovina constituted threat for international peace and security which was confirmed also with the resolution 770²; and that Bosnian Presidency and the Government had have called for military intervention of UN, in August 1992.

The recent literature on the UN peacekeeping operations tends to give an improved understanding on the factors that made the efforts of the Security Council for restoration of peace in civil wars to be successful or futile. Lise M. Howard pays attention to the situational factors of the country, consensus among the permanent member states of the Security Council, and the coordination between different UN bodies³. In the study of Bosnia and Herzegovina, she emphasizes that the nature of the conflict, different interests within Security Council, lack of consensus between parties in the Bosnian war and UN about the mandate of the peacekeeping missions, and poor coordination between UN Headquarters and the UN Generals in the terrain caused UN not to be capable to prevent further deterioration of the conditions of peace in the country⁴. Tardy argues that robust peacekeeping forces are important in the settlement of conflicts but their activity it is limited due

¹ UN Document A/54/549

² UN Document S/RES/770

³ Howard, L. (2012) UN Peacekeeping in Civil Wars, Cambridge University Press, pg. 2-7

⁴ Ibid, pg. 74-77

to the political will, military capacities and the willingness of the troops⁵. In the above studies the UN approach to the Bosnian war it is studied for the period from 1993 onwards. For this reason, the causes for failure of UN to end earlier the Bosnian war are looked on the period when the conflict started and from the perspective of the organization.

In this paper through analysis of the main UN Documents, resolutions, reports and verbatim records from the meetings, will be given an explanation on how it was build the idea and policy of Security Council for peaceful resolution of the war in Bosnia and Herzegovina. The focus it is in the relationship between the organization and the member state whose national security represented threat also for the international peace and security. The aim of this paper is to understand the approach of the UN and the course of the negotiation for the period when the war in Bosnia and Herzegovina it was in the initial phase. In the first part, it is explored the foundation of the request of the Bosnian state for military support from UN. In the second part, it is determined whether UN responded adequately to the conditions present for the period from August to December 1992.

Membership in UN

Republic of Bosnia and Herzegovina submitted its application for membership in the United Nations, on May 1992. It was an important step for strengthening its international recognition like an independent and sovereign state. In the letter addressed to the Secretary General, Presidency of the Republic of Bosnia and Herzegovina pointed out that the country already received recognition of several states, including from the member states of the European Community⁶. In those lines, it was underlined also membership in the Conference on Security and Cooperation in Europe⁷. Therefore, from beginning of May existence of the newly independent state it became a reality. It had fulfilled all the recommendations of the Arbitration Commission, too. As well, it was shown readiness of the country to undertake all responsibilities coming out from the UN Charter.

The Committee on the Admission of New Members unanimously agreed that Bosnia and Herzegovina fulfills the conditions for membership and in the report sent to the Security Council

⁵ Tardy, T. A Critique of Robust Peacekeeping in Contemporary Peace Operations diplomacy, International Peacekeeping, Vol.18,pg.157

⁶ UN Document A/46/921 – S/23971

⁷ Ibid

they recommended to be adopted resolution for admission to the United Nations⁸. Security Council responded positively and the draft resolution it was proceed to the General Assembly. The unanimity of the member states it was reflected in the statement of the President of the Security Council where he declared that “*we note with great satisfaction Bosnia and Herzegovina’s solemn commitment to uphold the purposes and principles of the Charter of the United Nations, which include the principles relating to the peaceful settlement of disputes and the non-use of force, and to fulfill all the obligations contained in the Charter*”⁹. With adoption of the resolution 755, on 20 May 1992, Bosnia and Herzegovina became a member of the United Nations.

Membership of Bosnia and Herzegovina in UN enforced the international legal personality of the state whereas maintenance of peace and security became a great challenge. Facing with threats to territorial integrity, the government decided to request the support of the Security Council. Permanent Representative of the country, on behalf of his government, asked the President of the Security Council to be convened an “*emergency meeting*” about the situation in Bosnia and Herzegovina¹⁰. The need for an urgent meeting it was based on two elements: violation of human rights and international law, emphasizing that there were “*acts of interference and armed intervention by a foreign country, threatening international peace and security*”¹¹. They considered that Security Council had the mandate to undertake the necessary measures, expecting that it will act upon the provisions of the UN Charter, concretely on Chapter VII¹².

The request for collective measures of Bosnia and Herzegovina addressed to UN represented the relationship between a member state and the organization, in the context of reciprocal rights and obligations. Being a member state, it was an advantage for the government and the presidency in Sarajevo because the seriousness of the situation it was beyond the capacities of the country, particularly militarily to respond to the attacks of the more powerful neighboring country. According to article 39 of the UN Chapter it is the Security Council that has the right and the responsibility to determine existence of an act of aggression, too. Considering that approximately after four months from the admission in the organization, Bosnia and Herzegovina found itself

⁸ UN Document S/23974

⁹ UN Document S/PV.3079

¹⁰ UN Document S/ 24401

¹¹ Ibid

¹² Ibid

unable to protect its territorial integrity and sovereignty, it was essential an immediate respond from the UN. On 13th of August 1992 Security Council adopted the resolution 770 and the resolution 771 where they reconfirmed the previous stance of UN and of Bosnia and Herzegovina that deterioration of the situation represented threat to international peace and security.

In the resolution 770 it was underlined the “*need for an urgent negotiated political solution*” and that Security Council remains strongly committed to preserve territorial integrity and sovereignty of Bosnia and Herzegovina¹³¹⁴. That conclusion it was accompanied with the appeal towards all parties in the country to end the conflict and to permit international humanitarian organizations to have unrestricted access to prisons, camps, and detention centers. There was not any specific provision that would condemn interference of foreign country, like it was stated earlier in the letter of the Government of Sarajevo. Regarding collective measures it was decided UN to provide only humanitarian assistance¹⁵. In sign of solidarity, UN member states were asked closely to cooperate with UN and relevant national, regional, and international organizations. As well, it was requested from the Secretary-General to observe realization of those activities and to inform the Security Council about the situation in Bosnia and Herzegovina.

The content of the resolution 771 it was more about violations of international humanitarian law. In it were reaffirmed all resolutions related to Bosnia and Herzegovina adopted since 25 September 1991, the call for dialogue and cease of hostilities, and free access for International Committee of Red Cross in the detention centers, prisons, and camps. The decisions were based on the provisions of the Chapter VII, too¹⁶. Comparing with resolution 770 it was more obvious expression of determination of Security Council in future to adopt rigorous measures if parties in the conflict didn't respect the Geneva Conventions. The last paragraph in the resolution it was in some form a last call to them to try constructively to approach to the dialogue. In the resolution, parallel with the conclusions for serious violations of international humanitarian law, it was included that there existed signs of ethnic cleansing¹⁷. Having more proofs, it was essential and member states and

¹³ UN Document S/RES/770

¹⁴ UN Document S/24401

¹⁵ Ibid

¹⁶ UN Document S/RES/771

¹⁷ Ibid

Secretary-General were asked to convey to Security Council all important information they possessed.

The resolutions adopted in 13th August 1992 made clear that Security Council kept its position for peaceful settlement of the situation in Bosnia and Herzegovina. Nevertheless, particularly in the resolution 770 it were not specified the formula of negotiations neither if UN would be in the role of the mediator. It was identified the threat but not the solution. In the records from the meeting of the Security Council majority of the states who prepared the draft of the both resolutions had have preferred firstly to see the outcome from the London Conference on the Former Socialist Federal Republic of Yugoslavia scheduled for the end of the month¹⁸. United Kingdom and France advocated the most to be supported the ongoing initiative¹⁹. On the other side, Austria demanded that in the future in the resolutions there should be a more specified formulations who is the victim and who the aggressor, emphasizing that acts of violence backed up by Serbia and Montenegro threatened “*the existence of the Government and State of Bosnia and Herzegovina*”²⁰. Regarding the idea for peaceful settlement, the representative of Venezuela stated that the permanent efforts of the Security Council, including resolutions for arms embargo, economic sanctions, and peace keeping mission didn’t show great success in preventing ethnic cleansing in Bosnia and Herzegovina²¹.

The London Conference on the Former Socialist Federal Republic of Yugoslavia: Framework of negotiations and Statement on Bosnia and Herzegovina

The meeting in London became the cornerstone of the institutionalized cooperation of UN and EC. The main priority it was solving the problems that emerged after the dissolution of the Former Socialist Federal Republic of Yugoslavia. The idea for joint efforts represented also the persistent approach in a difficult process. Therefore, the international conference it was established to ensure resolution of all disputes. As well, were defined the work programme of the conference, the principles of the negotiations, the role of the Co-Chairmen, and the institutional framework. The

¹⁸UN Document S/PV.3106

¹⁹ United Kingdom it was the country that hold the Presidency of the European Community and the organizer of the conference in London whether France had have proposed for the upcoming conference

²⁰ Ibid

²¹ Ibid

previous achievements from the EC Conference on Yugoslavia remained important foundation for the forthcoming negotiations, too. The situation in Bosnia and Herzegovina it was one of the urgent issues discussed in the meeting.

The framework of negotiations comprised thirteen basic principles which were the foundation of the political agreements and guidelines for the Co-Chairmen responsible to engage in diplomatic activities in promotion of peace. The crucial step in beginning with the mediation process it is ending the use of force. Very often convincing parties to participate constructively in the peace talks it is the hardest part in the initiation of the negotiations. For that purpose, in the Statement of Principles, it was brought in the first place the urgent need that use of force to be abandon and all parties to act in accordance with ceasefire agreements. It was continued with the principle that will be accepted and legally binding only changes that are result of compromise and not of use force. Together with the principle six and seven this formulation it is more comprehensible, indicating that all parties in conflict and related states have to “*respect the independence, sovereignty and territorial integrity of all states in the region, and to respect the inviolability of all frontiers in accordance with UN Charter, the CSCE Final Act and the Charter of Paris*”²². These principles were crucial for the Presidency and Government in Sarajevo. It was a step forward that in the upcoming negotiations territorial integrity and sovereignty of the country will be preserved and also cities that were not under their control will remain part of the territory of Bosnia and Herzegovina.

Reconfirming the position that existing frontiers cannot be redefined by use of force it was once again backing up the earlier decisions on recognition of the independence of the countries that came out from the dissolution of the former Yugoslavia. Resolution of the conflict and reaching enduring peace couldn't prevail if those states supported secessionist movements or undertook acts of aggression in the neighboring countries. The solution for the minority rights it had to be within constitutional provision. From one side, it was a mechanism to prevent interference in the internal issues of the neighboring country and from other side to guarantee the individual and collective rights of the ethnic and national minorities. In the principle had been included three components: protection of the supreme authority within a territory, restricting actions of discrimination,

²² Statement of Principles, pg.1534, in Documents Adopted at the London Conference of the International Conference on Former Yugoslavia, 31 I.L.M, 1448, 1992

oppression and ethnic cleansing, and providing opportunity minorities to enjoy political representation in the country²³.

Considering that in the region of former Yugoslavia there were serious violations of human rights and international law there were added principles that were directly related to ending the practice of ethnic cleansing and safe return of all people displaced by force and also the obligations for respecting the Geneva Conventions. In other words, practices of ethnically homogeneous cities wouldn't be legitimized. The agreements had to preserve demographic composition of the countries.

The question of succession it was also incorporated in the framework of the negotiations, underlining that about those issues will be decided by the unanimity of the parties who must fulfill all the obligations²⁴. Arbitration stayed as one of the options for the parties reaching mutually consensus about their rights and responsibilities. UN Security Council Resolutions stayed like one of the key principles. That was the link between the International Conference on Former Yugoslavia and UN Security Council. The foundation for settlement of the disputes had to be based on the resolutions. That approach it was useful for the Co-Chairmen, too. They had a solid foundation upon which could lead the negotiations, reminding parties in conflict that they must act according the provisions in the resolutions. That was essential also for the Security Council, particularly when it is taken into consideration that joint mediation of EC and UN it was an opportunity to be solved by peaceful means the disputes between member states and within a member state.

Failure of the negotiations before an agreement it was signed it was the momentum when in future Security Council could revoke article VII of the UN Charter and to be applied use of force. Of great importance, it was the last principle where it was defined that there have to be international guarantees for the implementation of the agreements. In conjunction with principle twelve the value of the negotiations it was not exclusively limited to conclusion of the agreements but also on the process of putting into effect of all what had been agreed.

In the framework of the negotiations what was set like principles it is defined like provisions in the Statement on Bosnia. In the document it is underlined that in the peace agreement have to be

²³ Ibid

²⁴ Ibid

added articles that guarantee the existence of the state within the recognized international borders, enduring peace and not only cease of the hostilities, rights of the national minorities, democratic institutions, regional economic cooperation, accomplishing the obligations deriving from the international public law, involvement of the foreign military forces only under the UN peacekeeping missions, and that all constituent states of the former Yugoslavia must recognize independence of Bosnia and Herzegovina²⁵. London conference stood behind the UN resolution 771²⁶ and it was decided to be cooperated with Security Council in gathering and sharing information about collapse of peace in the country.

The importance of the Statement on Bosnia, for the political leadership in Sarajevo, it was a decisive point whether international community by peaceful means can achieve to maintain peace and stability within a country that it is a member state of UN. Readiness to solve the situation as possible as it can it was present when it is taken into consideration that only about Bosnia and Herzegovina it was shown complete approach in defining the principles, provisions, urgent measures, and the Bosnia-Herzegovina Working Group. The problem it was that about the decisions on the framework for the negotiations, the Statement on Bosnia, the list of the activities of the Co-Chairmen took time not only to be adapted but also to be implemented. For that reason, the success of the diplomatic initiatives had to be seen through space and time. On the other side, population it was facing every moment with threat of their lives and expected immediate neutralization of the paramilitary forces that acted in the territory of the Bosnia and Herzegovina. Every decision about peaceful means and economic and diplomatic sanctions it was perceived like postponing and with doubt.

Reports of the Security-General to the Security Council: (un) success of the diplomatic activities of the Co-Chairmen related to Bosnia and Herzegovina

The main responsibility about the cessation of the hostilities and constitutional arrangements belonged to the Bosnia-Herzegovina Working Group, led by Martti Ahtisari. This was consistent with the decision from the first meeting of the International Conference on the Former Yugoslavia (ICFY) where it was found reasonable the Chairpersons of the Conference's Working Groups to

²⁵Statement on Bosnia, pg.1537, in 31 I.L.M, 1992

²⁶ Ibid

design the structure, techniques and the order of the activities specific with the conditions in the particular country and the issues they were working on. That approach of the Co-Chairmen, Vance and Lord Owen, it was very practical because the nature of the problems that had to be solved and the conditions in the countries and provinces differed a lot. The flexibility gave to the Chairpersons opportunity to adapt the solutions based on the needs in terrain and the progress that it was made. Normally, their work had to be within the decisions, principles, and guidelines set previously in the London conference. Weekly communication between the Chairpersons and the Co-Chairmen it was a feature of the coordinated efforts on what was accomplished and what had to be done.

For successful peace talks the mediators and their teams firstly have to understand the demands and the readiness of the parties in conflict for negotiations. Intensive contact can permit to be building the confidence between both sides. The framework of negotiations it is the system of principles set by the third party in the conflict resolution whether the attitude of the belligerents represents “*the red lines*” of their compromises. The knowledge of the mediators not only about the nature of the conflict but also their skills to convince the parties in conflict that the peace proposals meet the needs of all parties it is very challenging. Getting familiar with the positions it is the only way the framework of the negotiations to be implemented and finalized with conclusion of the peace agreement.

For the Bosnia-Herzegovina Working Group initiating the peace talks only referring to the principles of the ICFY it was not sufficient and their first task it was to establish very strong communication with the Bosnian Presidency and Government and with the representatives of the Bosnian Serbs and with the representatives of the Bosnian Croats. The feedback it was that in some circumstance the parties in conflict didn't want to negotiate without the presence of the international mediators or their representatives²⁷. That was very useful indication on how should be continued with arrangement of the meetings, especially on the idea on convening an international conference for peace.

Looking on the Statement of Principles that it was possible where it was underlined that parties in conflict can negotiate “*directly or through intermediaries*”²⁸. Taking into consideration the sensitivity of the situation in Bosnia and Herzegovina and the insistence for presence of the

²⁷ UN Document S/24795

²⁸ Ibid

international mediators in the negotiation process it was a sign of lack of trust between the parties in conflict. All that it was result of the violence that was happening in the territory of Bosnia and Herzegovina. For that reason cessation of hostilities it was crucial. The tempo of the peace talks couldn't be speed up in the period when there it was happening ethnic cleansing. The side that was more powerful military would continue to believe that through fighting it can accomplish its interest whether the side that it is weaker would insist on international military intervention. Definitively applying step-by-step diplomacy, it was necessary. Convincing parties to stop with military actions and giving chance to dialogue it was very difficult but at the same time essential. The Special Rapporteur of the Commission on Human Rights, Tadeusz Mazowiecki, repeatedly had emphasized that in Bosnia and Herzegovina ethnic cleansing it is a policy and not a consequence of war²⁹³⁰³¹. Regarding cessation of hostilities it was expected that Mixed Military Working Group and withdraw of the military aircrafts would contribute for the restoration of peace in the country.

Crucial step in preparing the draft on the peace agreement it was properly communicating to the parties in conflict the principles defined in the London Conference and later adjusted by the Chairman of the Bosnia-Herzegovina Working Group. Based on the responds received from the parties in conflict it were formulated the main principles on constitutional arrangements regarding Bosnia and Herzegovina. In that context it was very positively that during the course of the mediation at the same time the mediators facilitated the communication between the parties in conflict and tried to offer a sustainable solution conform the needs and interest of the parties in conflict. The first phase it was more about setting the grounds for negotiations and in charge it was the Chairman Ahtisari whether the Co-Chairmen of the ICFY, Vance and Owen, prepared and presented to the Bosnian presidency and government, the Bosnian Serbs and the Bosnian Croats the first proposal on the constitution of Bosnia and Herzegovina.

For the Co-Chairmen the mechanism that would prevent the unitary character of the Bosnia and Herzegovina and in future wouldn't risk the territorial integrity it was decentralization in which the role of the central government would be very limited. Its main responsibilities were

²⁹ UN Document E/CN.4/1992/S-1/9

³⁰ UN Document E/CN.4/1992/S-1/10

³¹ UN Document A/47/666-S/24809

concentrated in the field of national defence and international relations³². Therefore, the military forces remained under the control of the central government and only the central government had the right for membership in international organizations. It was considered that in that way it can be preserved the existence of the Bosnian state and with that it was fulfilled the principal request of the Bosnian Government³³. On the other side, the idea for transfer of authority and power to the provinces it was expected to soften the requests for confederation, particularly of the political leadership representing the Bosnian Serbs. The mediators believed that it was a “*win-win*” situation for all parties in Bosnia and Herzegovina but all of them have to be ready for compromises. Recognition of the Bosnian Muslims, Bosnian Serbs and Bosnian Croats as “*constituent people*” it was very constructive because the country it was not demographically homogenous and neither possible to be supported a different solution by the international community. As well, in several occasions it was condemned the practice of ethnic cleansing and repeating the calls for return of forcefully displaced persons. Maintaining the multicultural character of the Bosnian society it was directly related with the cohesion in the post-conflict period. For that purpose, the framework of negotiations it was determinant factor for the peacemaking process and also for the peacebuilding. From the intensive negotiations’ mediator Owen had got the impression that parties in the Bosnian war welcomed the proposal for peace. He considered that the draft on the constitution “*it was not going to be a crude division of Bosnia and Herzegovina into three separate provinces*”³⁴. For him it was a success that they had achieved to convince parties to participate in the dialogue and to offer solution that it was sustainable and acceptable for all parties. Nevertheless, as he states in the meeting of the Security Council, the question on the maps it was not defined and had to be discussed in the upcoming negotiations. Mediator Vance strongly held the position that the events in former Yugoslavia threatened international peace and security³⁵. Regarding the proposed solution for the peace in Bosnia and Herzegovina he shared the same opinion with Owen, underlining that “*from the very outset of our work we have rejected partition of the country, as well its reorganization on ethnically based territorial lines*”³⁶. Therefore, coordination of the UN

³² UN Document S/24795

³³ Ibid

³⁴ Ibid

³⁵ UN Document S/PV.3106

³⁶ Ibid

and EC activities had been in the same line and bringing the idea for decentralization that it was expected to fulfill the opposing demands of the parties in the Bosnian war.

The greatest progress it was made in January 1993 where there it was a concrete outcome from the negotiations. After almost five months of an active mediation UN and EC mediators brought together all relevant political and military representatives. For such events important indicator whether parties in war are determined to contribute to the peace talks it is also the persons they send to negotiate³⁷. At the meeting, in Geneva, delegations were lead and composed by highest political and military leadership and mediators characterized it like “a *historic step forward in the pursuit of peace in Bosnia and Herzegovina*”³⁸. At the second meeting, in Geneva, circumstances changed completely. The willingness to negotiate reached to a deadlock. Readiness for compromises about the boundaries of the provinces decreased³⁹. Deterioration of the situation in the battlefield had great impact over continuation of the dialogue.

Conclusion

Membership of Bosnia and Herzegovina in United Nations it was an important step for strengthening its international recognition like an independent and sovereign state. Very soon peace and security became a great challenge for the newly independent country and the seriousness of the situation it was beyond its capacities, particularly militarily. From Sarajevo it was demanded the support of UN underlining that there were happening violation of human rights and of international law. The expectations were that Security Council will act upon the provisions of the UN Charter, concretely on Chapter VII. The request for collective measures of Bosnia and Herzegovina addressed to UN represented the relationship between a member state and the organization, in the context of reciprocal rights and obligations.

Security Council concluded that deterioration of the situation represented threat to international peace and security but solution it was seen in the dialogue and not in the military intervention. That conclusion it was accompanied with the appeal towards all parties in the country to end the conflict. In the resolution 770 and the resolution 771 it were not specified the formula of

³⁷ Berridge. G. (2015) *Diplomacy -Theory and Practice*, London, Palgrave Macmillan, pg. 37

³⁸ UN Document S/25050

³⁹ UN Document S/25221

negotiations neither if UN would be in the role of the mediator. United Kingdom and France stayed on the positions that it was more reasonable to be seen what will be agreed during the London Conference on the Former Socialist Federal Republic of Yugoslavia. Therefore, the framework of negotiations it was defined in London and comprised thirteen basic principles which were the foundation of the political agreements and guidelines for the Co-Chairmen responsible to engage in diplomatic activities in promotion of peace in Bosnia and Herzegovina. In the Statement of Principles, it was brought in the first place the urgent need that use of force to be abandon and all parties to act in accordance with ceasefire agreements.

Crucial step in preparing the draft on the peace agreement it was properly communicating to the parties in conflict the principles defined in the London Conference and later adjusted by the Chairman of the Bosnia-Herzegovina Working Group. Based on the responds received from the parties in conflict it was formulated the main principles on constitutional arrangements regarding Bosnia and Herzegovina. From the intensive communication with the parties in conflict mediators Vance and Owen were convinced that the peace proposal it was welcomed. Nevertheless, in January 1993 became evident that defining the borders of the provinces will block the entire process of negotiation. Deterioration of the situation in the battlefield had great impact over continuation of the dialogue.

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**MACEDONIAN PARTICIPATION IN THE WORK OF THE UN GENERAL
ASSEMBLY**

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Abstract

The paper titled: “Macedonian participation in the work of the UN General Assembly” presents an analysis of the work of the General Assembly of the United Nations with a special focus on the participation of the Republic of North Macedonia through a historical context. The importance of the Macedonian role in the functioning of the institution will be presented through the annual general debates and the presidency of two Macedonian presidents of the General Assembly. The scientific paper aims to emphasize the important role that North Macedonia has played in the largest international organization over the years.

Keywords: United Nations, General Assembly, North Macedonia.

Introduction

The scientific paper titled "Macedonian participation in the work of the UN General Assembly" aims to present the structure and basic functions of one of the most important bodies of the United Nations, the General Assembly, complemented by the participation of the Republic of North Macedonia in its operations since its membership from 1993 to date.⁴⁰

The United Nations officially were established on October 24, 1945, after the end of World War II, in order to prevent further conflicts. The UN is an international organization that aims to promote international cooperation and maintain international order. Up to 2020, The UN consists of 193 member states and 2 observer countries.

The three main competencies of the United Nations are as follows: Commence collective measures to strengthen international peace; Encourage international cooperation in solving international

⁴⁰Republic of North Macedonia became a member of the United Nations on 8 April 1993 (Resolution A/RES/47/225 adopted by the General Assembly). Due to a dispute with Greece over the use of the name Macedonia, the country was admitted to the UN under the name “the Former Yugoslav Republic of Macedonia”.

economy, social and cultural problems as well as; Encourage respect for human rights and freedoms, equally important to all people regardless of race, gender and religion.⁴¹

To accomplish its goals, the United Nations is composed by the following bodies: the UN General Assembly, the UN Secretariat, the International Court of Justice, the UN Security Council, the UN Economic and Social Council and the UN Trusteeship Council.⁴²

The functions of the General Assembly as one of the vital bodies of the United Nations will be described in detail below.

Composition and competencies of the UN General Assembly

The General Assembly of the United Nations is the only body representing all member states enjoying equal status regardless of their size, development or potential. This body has wide prerogatives and can discuss issues within the organization, except those discussed on the Security Council's agenda.

The competencies of the UN General Assembly are as follows: The General Assembly elects the interim members of the Security Council; The General Assembly also elects the members of the Economic and Social Council; The General Assembly also elects the UN Secretary General, on the recommendation of the Security Council; The General Assembly, together with the Security Council, elects the judges of the International Court of Justice; The General Assembly reviews and approves the budget of the Organization.⁴³

Member States are represented at the United Nations General Assembly through their national delegations. The number of members of the delegation is usually greater than the number of members of the permanent mission of the states to the United Nations and usually varies from country to country.

In order to enable better function, the General Assembly it is composed of secondary bodies that are thematically divide by areas, whereby with their functioning they assist the General Assembly in performing the tasks entrusted in accordance with the Charter.

⁴¹ What We Do. <https://www.un.org/en/sections/what-we-do/index.html> Accessed on: 10.12.2020.

⁴² Main Organs. <https://www.un.org/en/sections/about-un/main-organs/index.html> Accessed on: 10.12.2020.

⁴³ Functions and powers of the General Assembly <https://www.un.org/en/ga/about/background.shtml> Accessed on: 10.12.2020.

The subsidiary organs can be divided into five categories: boards, committees, councils and panels, working groups and more. The subsidiary organs are established to deal with various areas covered by the General Assembly (disarmament, international law etc.). The main purpose of establishing the subsidiary organs is, after the discussions, to proceed with the individual topics from the agenda corresponding to the areas for which they are established, and to refer them in a form of a resolution or decision to the General Assembly for further consideration.⁴⁴

The functioning of the General Assembly is conditioned by six main committees without which the General Assembly's work would not be possible. Each of these committees considers one area of competence of the General Assembly. The first committee deals with the issues of disarmament; the second committee considers economic issues; the third committee deals with social issues; the fourth committee is a special political committee that also considers decolonization issues; the fifth committee is devoted to budgetary and administrative matters; while the Sixth Committee deals with legal issues.⁴⁵

After completion of the general debate at the regular sessions of the General Assembly, the Assembly considers the issues on the agenda. Considering the wide range of activities of the General Assembly, questions are forwarded to the main committees. The committees refer the resolutions and the decisions to the General Assembly for consideration, providing a formulation that would be acceptable to all member states.⁴⁶

The competencies of the United Nations General Assembly are broadly set in accordance with the UN Charter. Article 10 of the Charter says: "The General Assembly may discuss all questions or any matters within the scope of the Charter, or relating to the powers and functions of any organs provided for in the Charter, and except as provided in Article 12, may make recommendations to the Members of the United Nations or to the Security Council".⁴⁷ The General Assembly may also consider general principles for cooperation in maintaining the International peace and security, including the principles on which disarmament and the regulation of armaments are founded and

⁴⁴ United Nations Charter, Article 22.

⁴⁵ Горданић Б. Јелица, Потребне и могућности реформирања надлежности и положаја Генералне скупштине у институционалној структури Уједињених нација, Београд, 2017. р.30.

⁴⁶ Ibid

⁴⁷ United Nations Charter, Article 10.

may make recommendations to the members or the Security Council in respect of those principles.⁴⁸

Regarding the competencies in the field of maintaining international peace and security, according to the Charter, a clear distinction has been made regarding the actions of the General Assembly and the Security Council. The General Assembly is an organ that discusses and advises, while the Security Council is an organ that takes tangible actions in order to maintain international peace and security.

In the same time the General Assembly is an organ responsible for the organization's finances. The Assembly is obliged to review and approve the organizations' budget, while all expenses of the organization are borne by the members according to the schedule determined by the General Assembly.⁴⁹ As a sole body representing all member states, the General Assembly has a number of electoral functions. In most occasions the Assembly decides independently however, in other areas it depends on the Security Council.

Regular Sessions and Annual General Debates of the UN General Assembly

Regular sessions are the basic type of sessions by which the General Assembly performs its function. They start every year on Tuesday in the third week of September counting from the first week which has at least one working day. They operate from September to December until all issues on the agenda are exhausted.⁵⁰

The regular sessions begin with a general debate that allows Member State delegations to spend 15 minutes debating any topic that would present their views on the state of the world. The general debate is one of the most important diplomatic activities because in addition to speeches, the delegations have an informal part, holding informal meetings with all world countries where they discuss and exchange views of interest to their countries.

Recently, changes have been introduced regarding the topic of the speeches in the General Debate. The newly elected President of the General Assembly, in consultation with the Member States, the Secretary-General and the current President, propose topics of global interest for the forthcoming General Debates. After the harmonisation of the topic, the new President sends a letter to the

⁴⁸ United Nations Charter, Article 11.

⁴⁹ United Nations Charter, Article 17.

⁵⁰ <http://www.un.org/en/ga/sessions/> Accessed on: 10.12.2020

Member States announcing the topic for the upcoming debate inviting them to prepare a speech on the proposed topic for debate.⁵¹

The General Assembly's work period is shorter than others international organizations or States parliaments. The General Assembly meets between March and September at ad hoc meetings that summarize the meeting. In reality, the regular session of the General Assembly lasts just over 3 months, from the second week of September to mid-December.⁵²

The biggest critics over the work of the General Assembly's annual sessions refer to the extensive agenda that is repeated every year and the constant repetition of certain issues on the agenda for years. There are issues and topics that are for decades on the agenda some, up to 50 years in a row. Such topics include issues of atomic radiation, the apartheid, disarmament, Security Council membership increase, strengthening international security, the situation in Afghanistan, Cyprus, East Timor, the Middle East, Palestine and other topics.

The repetition is noted in speeches' segments from the same countries from year to year, indicating the lack of enthusiasm of some countries for substantial debate. In the analysis of the speeches of Macedonian representatives below, this phenomenon was noticed in certain years of our speeches at the general debate.

In addition, the increase in the number of UN Member States led to the extension of the agenda, which consequently limited the time for delegates to express their views at the sessions of the General Assembly. Due to this challenge, the General Assembly introduced a system of regional groups, enabling negotiation as a whole to geographically-close delegations sharing similar views on certain topics, instead of the individual approach to each issue on the agenda.

Republic of North Macedonia at the annual General Debate of the UN General Assembly

In the period 1993 - 2018, the Republic of North Macedonia had a total number of 26 speeches at the Annual General Debate of the UN General Assembly, the first addressing was given by the

⁵¹ <http://www.un.org/en/ga/sessions/>, Accessed on: 10.12.2020

⁵² Erskine Childers, Brian Urquhart, „Renewing the United nations system“, стр. 135

President Kiro Gligorov in 1993 and the latest speech was given by the President Gjorge Ivanov in 2018.⁵³

In the above period, four Presidents addressed the annual general debate:

- Kiro Gligorov (1993, 1996, 1997);
- Boris Trajkovski (2003);
- Branko Crvenkovski (2004, 2006, 2007, 2008);
- Gjorge Ivanov (2009, 2010, 2012, 2014, 2016, 2018).

Two prime ministers:

- Nikola Gruevski (2011, 2013, 2015) and
- Zoran Zaev (2017).

Five foreign ministers:

- Stevo Crvenkovski (1994, 1995);
- Blagoj Handziski (1998);
- Aleksandar Dimitrov (1999, 2000);
- Ilinka Mitreva (2001, 2005);
- Slobodan Chashule (2002).

Additionally, eight speeches were made by Macedonian representatives - part of the General Assembly, but are not part of the annual general debate of the United Nations General Assembly.

These speeches were given by:

- Kiro Gligorov, President (April 8, 1993), upon joining the UN;
- Stojan Andov, President (22.10.1995), Commemoration of the 50th anniversary of the United Nations;
- Boris Trajkovski, President (06.09.2000), Millennium summit;
- Boris Trajkovski, President (08.05.2002);
- Branko Crvenkovski, President (15.09.2005);
- Gjorge Ivanov, President (20.09.2010), High-level plenary meeting on the millennium development goals;

⁵³ Mehmedovic, Nedzad, Macedonia at the annual general debate of the United Nations General assembly: (1993-2018), p.11

- Nikola Popovski, Minister of Foreign Affairs (24.09.2012), High-level meeting on the rule of law at the national and international levels;
- Gjorge Ivanov, President (19.06.2016), High-level plenary meeting on addressing large movements of refugees and migrants.

The speeches of our delegations give clear picture of the challenges faced by the Republic of North Macedonia in a period of 25 years. The early 1990s were dominated by topics related to the country's independence, Greece's problem with the constitutional name than, the former Republic of Macedonia and the United Nations-sponsored process, as well as the war in the former Yugoslavia emphasising the war in Bosnia and Herzegovina. The late 1990s were associated with the war in Kosovo, the bombing of Yugoslavia, and peacekeeping missions in the region.

The dominating topics on the beginning of the new millennium, are related to the conflict in the Republic of Macedonia in 2001, the signing of the Ohrid Framework Agreement, as well as the building a new multi-ethnic society. Furthermore, each of our representatives addresses current political developments in the country, the region and the world. In the second decade of the XXI century, our representatives involve greater political connotation in their speeches which is used primarily for their own promotion and sending a message to the Macedonian citizens.⁵⁴

Election and function of the chairpersons of the UN General Assembly

The election of the President of the General Assembly is determined according to the rules of procedure which stipulate that the General Assembly elects the President and twenty-one Vice-Presidents at least three months before the session to be chaired. The President and the Vice-Presidents take office only at the beginning of the session at which they are elected and remain in office until the end of it. The vice-presidents are elected after the election of the chairmen of the six main committees.⁵⁵

The President of the General Assembly has not been identified among the representatives of the big states and the permanent member states of the Security Council, they are elected among the smaller states, says the unwritten rule. Throughout history, always one president has been elected,

⁵⁴ Салифоска, Фатима, Нецад Мехмедовиќ, Македонија на годишната генерална дебата на Генералното собрание на Обединетите Нации (1993-2018) Институт за јавни политики, Скопје 2018, 168, ГИНИ, 2019.

⁵⁵ www.un.org/en/ga/about/ropga/prez.shtml. Accessed on 10.12.2020.

and the number of vice presidents varies. Due to the increasing number of UN members, the number of vice presidents elected grows over the years.

Due to strengthening the regional groups in the General Assembly, the election is done on the principle of geographical rotation. In most cases the regional groups nominate one candidate however, in rare case when the group is not in a position to reach an agreement, the selection is done by voting in the General Assembly. This approach applies to the election process of the General Assembly's Vice-Presidents too.

The role and the authorities of the President of the General Assembly are well-defined according to rules and procedures. The tasks of the President are as follows: opening and closing the sessions, leading the discussions in the plenary sessions as well as ensuring respect of session's rules. The President enables the right to vote on sessions, decides on the agendas' items, allows questions to be asked and announces the sessions' decisions. The President is authorised to propose to the General Assembly a limit on the speaker's time, limit on the number of times a speaker can speak, a closure of the list of speakers and a closure of the debate.

In addition, the President has the authority to propose the suspension or postponement of a meeting or to postpone debate topic which is under discussion.⁵⁶

Equally important role in the work of the President of the General Assembly represents informal consultations. In many cases the informal consultations can have positive effects and can significantly facilitate the work of the President.

As one of the examples is the election of regional groups representatives who inform the President for the candidates they have elected. In such a case, the President creates a list of candidates to be approved by the General Assembly. This model of election is an improvement compared with the previous practices when the voting process contained several stages.

The political and diplomatic experience of the elected president plays a major role in the function of the President of the General Assembly. For that reason, election of experienced diplomats on President's position was a necessary, because their experience contributed in finding solutions to certain international problems. Below, this work will present Macedonian's representatives with solid political and diplomatic background in a role of the Assembly's Presidents.

⁵⁶ <http://www.un.org/en/ga/about/ropga/prez.shtml> Accessed on 1 0.12.2020

Macedonian Presidents of the UN General Assembly

Throughout the 75-year history of the United Nations, two Macedonians have been elected Presidents of the UN General Assembly. In the period 1977-1978, the President of the General Assembly was Lazar Mojsov, as a representative of the Former Yugoslavia, while in the period from September 18, 2007 to September 16, 2008, the President of the General Assembly was Srdjan Kerim as a representative of the Republic of Macedonia.⁵⁷

Lazar Mojsov was born in 1920 in Negotino. He received his Bachelor and PhD degree from the Faculty of Law in Belgrade, Republic of Serbia. During his lifetime he performed several work tasks, including: Branch Director of "Tanjug" for Macedonia, Presidency Secretary of the People's Government, Head of the Press Department of the Presidency of the People's Government. In 1945 appointed for a People's Prosecutor to the Court of the National Honour. He was appointed Public Prosecutor of the People's Republic of Macedonia in 1948, after which he became President of the Supreme Court of Macedonia, NIP "Nova Makedonija" Director, Ambassador of Yugoslavia to the USSR and Mongolia (1958-1961), Ambassador to Austria (1967-1969). Ambassador in the United Nations, Guyana and Jamaica (1969-1974). He was Deputy Minister of Foreign Affairs of Yugoslavia, Director of the Institute for Workers' Movement, Director and Editor-in-Chief of NIP "Borba".⁵⁸

He was a President of the General Assembly of the United Nations (1977-1978). From 1980-1981 Lazar Mojsov was a President of the Presidency of the League of Communists of Yugoslavia, Minister of Foreign Affairs of the SFRY (1982-1984) and a member of the Presidency of the SFRY (1984-1989), and President of the Presidency of the SFRY (1987-1988). He died in Belgrade in 2011, at the age of 90. He is buried in the Alley of Merited Citizens, at the New Cemetery in Belgrade.⁵⁹

Srdjan Kerim was born in 1948 in Skopje. He graduated from the Faculty of Economics at the University of Belgrade in 1971 and received his PhD in International Economics in 1982. Between 1976 and 1978, Kerim was a member of the Presidency of the Youth Federation of Yugoslavia

⁵⁷ In the UN, the Republic of Macedonia existed under the temporary reference "Former Yugoslav Republic of Macedonia" during the presidency of Srdjan Kerim, in accordance with the 1993 resolution, due to the dispute with Greece over the constitutional name of the Republic of Macedonia.

⁵⁸ See: <https://jorm.gov.mk/dosegashni-javni-obviniteli-na-rm-2/lazar-mojsov/>. Accessed on 10.12.2020

⁵⁹ See: <https://macedonism.org/Македонска-енциклопедија/мојсов-лазар/>. Accessed on a 10.12.2020

and Chairman of the Foreign Policy Committee. In 1986 until 1989, he was appointed Minister of Foreign Economic Relations in the Government of the Socialist Republic of Macedonia. After the independence of the Republic of Macedonia, Kerim was the Ambassador of the Republic of Macedonia in Germany (1994-2000), in Switzerland and Liechtenstein (1995-2000).⁶⁰

From early beginnings in his diplomatic career, Srgjan Kerim's was related to multilateral diplomacy and the United Nations. Kerim's first task related to multilateral diplomacy was as an Adviser to the President at the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD VI), held in Belgrade in 1983. From 1988 to 1991, he was Deputy Minister and Spokesman for the Federal Ministry of Foreign Affairs of the Federal Republic of Yugoslavia, in charge of multilateral relations (including participation in UN, G-77 and the Non-Aligned Movement activities).⁶¹

In the period 2001-2003, Srgjan Kerim was appointed Ambassador and Permanent Representative of the Republic of Macedonia to the United Nations in New York. During this mandate, he took the role of a vice-chair to the International Conference on Financing for Development (Monterrey, 2002) as well as the World Summit on Sustainable Development (Johannesburg, 2002). Additionally, he was a member of the President's facilitators group on the 56th Session of the UN General Assembly, focusing on UN reform, and co-organized the Regional Forum for the Dialogue of Civilizations (Ohrid, 2003).⁶²

On May 24, 2007, he was elected President to the 62nd Session of the UN General Assembly with a one-year mandate.⁶³ This Assembly's session priorities were: Tackling Climate Change, Financing Development, Implementing the Global Counter-Terrorism Strategy, Implementing UN Reforms and Continuing measures in achievement of the Millennium Development Goals.⁶⁴

⁶⁰ <https://www.un.org/en/ga/president/62/pdf/biography/biography-kerim.pdf>, Accessed on: 10.12.2020

⁶¹ Ibid

⁶² <https://www.un.org/press/en/2007/bio3932.doc.htm>, Accessed on: 10.12.2020

⁶³ UN: Macedonian Elected as Next General Assembly President, <https://www.rferl.org/a/1076699.html> Accessed on: 10.12.2020

⁶⁴ Q&A with UN Secretary-General Candidate Srgjan Kerim <https://time.com/4414955/qa-with-un-secretary-general-candidate-srgjan-kerim/> Accessed on: 10.12.2020

During the period 2008-2009, he was the UN Secretary-General's Special Representative for Climate Change. Srgjan Kerim has been a member of the Council of Former Presidents of the UN General Assembly since 2008.⁶⁵

Conclusion

The wide scope of powers and competencies of the United Nations General Assembly highlights the importance of this, according to many, the most important body of the organization.

The equal participation approach, as well as the favouring of the smaller member states is an additional drive for the members like the Republic of North Macedonia to make greater efforts in the participation of all spheres and segments of action of the General Assembly.

The Republic of North Macedonia was dignitary represented in the UN institutions, as well in the speeches at the annual general debate at the General Assembly. As a smaller member state, the country achieved significant success with the election of two chairpersons of the General Assembly in the history of the UN.

The strengths and weaknesses of the past membership of the Macedonian representatives in the United Nations can use in the development of our foreign policy, as well as in the strengthening of our international position as an independent and sovereign state in the future.

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**THE MIGRANTS' CRISIS EFFECT ON THE RELATIONS BETWEEN THE
EUROPEAN UNION AND THE REPUBLIC OF TURKEY**

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Abstract

The paper titled: "The migrants' crisis effect on the relations between the European Union and the Republic of Turkey" presents an analysis of the role that the migrant crisis played in the EU - Turkey relations resulting in an agreement offering Turkey a number of financial and political concessions. The agreement as such raised lots of issues, questioning the legality within the frames of the international law as well as its sustainability. This scientific paper aims to demystify the objectives of the agreement and its implementation in practice.

Keywords: European Union, Turkey, migrant crisis.

Introduction

The reasons for the migrants' crisis is the civil war during the last years, leaving 22 million of persons without their homes. Geopolitically, the Syrian civil war became a synonym for the bloodiest, and the most significant event caused by the Arab spring. The situation was a continuation of the Governments collapse in Iraq, Afghanistan and Libya. The Syrian war started in 2011. Thousands of Syrians went to streets protesting against the president Bashar Al-Assad, as a result, many people decided to flee out of the country especially in the years of 2015 and 2016. The EU - Turkey relations are relevant for further study due to the fact that the crisis is not over yet and presents a huge challenge to be faced by the Southeast Europe countries. The migrant crisis, further burdened the already difficult relations between the neighbors in Southeast Europe. Moreover, the migrant crisis strained the unity of the European Union, and sparked debate about the difference between Western and Eastern Europe, placing tough questions about the global disproportions.

With more than one million migrants in 2015 arriving to the old Continent, many Europeans were concerned about the newcomers' integration process. They were afraid that in times of prolonged

economic insecurities, migrants will require greater state support. Some Europeans also feared that migrants will threaten cultural milieu of Europe due to the Islamic background in most of the newcomers.

The main statement of this paper will be confirmed with analytical and historical methodology using statistical data and research work.

At the very beginning, I will briefly describe my views about the beginnings and the development of the migrant crisis and its role in relations between the EU and Turkey, moving to a detailed analysis of the agreement, reached between the EU and Turkey in March 2016. The last describes my research on the effect of the agreement after its signing and finally drafts conclusions on the potential development of the relations between the EU and Turkey in order to deal with migration as a whole.

The migrant crisis in EU-Turkey relations

An estimated number of 11 million Syrians have fled their homes since the outbreak of civil war in March 2011. Six years after the war, 13.5 million are in need of humanitarian assistance in the country.⁶⁶ The majority escaping the conflict have sought shelter in neighboring countries or in Syria itself. According to the UNHCR, 4.8 million have fled to Turkey, Lebanon, Jordan, Egypt and Iraq, while 6.6 million have been internally displaced in Syria. Meanwhile, about one million have sought asylum in.⁶⁷

As the Syrian conflict intensified in 2014 and 2015, Europe became the next possible destination for all refugees.⁶⁸ Thus, all refugees who arrived in Greece continued their journey through the so-called "Western Balkans Route" to selected countries in Western and North Europe that have a migration policy offering a number of social benefits. In 2015 alone, more than one million people

⁶⁶ Web page of the Syrian refugees. <http://syrianrefugees.eu/>.

⁶⁷ Ibid.,

⁶⁸ According to the International Organization for Migration (IOM), 34,442 people entered Europe in 2014 through Greece and 170,100 through Italy. In 2015, a number of 853,650 people entered through Greece and 153,842 people through Italy, and as of May 29, 2016, 156,364 people entered Europe through Greece and 46,856 people through Italy. In total, these are 204,542 people in 2014, 1,000,492 people in 2015 and 203,220 people by the end of May 2016. Thus, according to the IOM in 2014, 2015 and 2016, a total of 1,415,254 people entered Europe who applied for refugee or asylum status. (Statistics from the International Organization for Migration (IOM) - <http://doe.iom.int/>)

arrived in the EU, about 885,000 of them via Greece.⁶⁹ The Greek asylum and the existing refugee reception system fail in capacity to register and provide shelter to such an enormous number of people.

In this context, the migrant crisis led to the opening of a new period in EU-Turkey relations in 2015. Faced with such drastic increase in the number of migrants that year, the EU realized the shortcomings of their migration and asylum legislation in handling the newly developed situation i.e. the migrant crisis. All above challenged the proper functioning of the Schengen area. The later resulted discussions among the European leaders observing different models of distributing migrants to European countries in order to ease the burden on the border countries such as Italy and Greece.⁷⁰

A number of Member States have introduced temporary internal border controls in order to limit the number of migrants on their territory as a consequence of the migration wave. In the spring of 2016, the Western Balkan countries began gradually to apply conditions for migrants to enter their borders however, arrivals from Turkey to Greece continued resulting in an increase of the number of migrants and refugees in Greece.

Due to the fail to reach unanimous agreement on how to deal with migrants on EU territory, Turkey was identified as a solution to the political chaos intrigued by the migrant crisis. Due to its “open door” policy, Turkey is a home to a 2.8 million registered Syrians.

Having this said, the European Union strengthens the cooperation with Turkey on the refugee issue as most of them arrive through its territory.⁷¹

Thus, in October 2015 the EU Commission presented the EU-Turkey, Joint Action Plan, which would stop the migrants’ wave crossing the Aegean Sea - activated during the EU-Turkey Summit on 29 of November.⁷²

⁶⁹ Benvenuti, Bianca., “The Migration Paradox and EU-Turkey Relations”. Рим: Istituto Affari Internazionali. Јануари 2017. стр.12.

⁷⁰ European Commission "Draft-decision of the Council establishing interim measures in the field of international protection in favor of Italy and Greece" <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52015PC0286>. COM/2015/0286 final - 2015/125 (NLE), 14.09.2015.

⁷¹ Web page of Syria Refugee Response. <http://data.unhcr.org/syrianrefugees/country.php?id=224>. Пристапено на 13.02.2018.

⁷² Web page of the European Council. Council Conclusion. <http://www.consilium.europa.eu/en/meetings/european-council/2015/10/15-16/>.

The European leaders agreed to open the negotiations on Chapter 17 (economic and monetary policy) to ensure the full implementation of the readmission agreement and the visa liberalization dialogue. The readmission agreement was to be implemented in June 2016 and the visa requirement for Turkish citizens to be lifted by October 2016. According to the Joint Action Plan, the EU made commitment to provide humanitarian and financial assistance to Turkey in a size of 3 billion Euros for 2.2 million Syrian citizens in the country at that time.⁷³

In exchange for the financial assistance, Turkey was supposed to block the influx of irregular migrants into the EU and improve the living conditions of Syrians registered under its temporary protection scheme. The declared goal of the Summit was to revive Turkey's EU accession process after a long stalemate. To that end, they also decided to hold regular summits twice a year to assess the development of the relations.⁷⁴

In March 2016, the leaders meet to discuss the migrant crisis. As a result, on 18 March 2016, the EU State leaders and Turkey agreed to end the flow of irregular migration from Turkey to EU signing a joint agreement to ensure that migrations are organized, safe and legal.⁷⁵

All new irregular migrants or asylum seekers moving from Turkey to the Greek islands will remain returned to Turkey, based on the individual estimation of their asylum application in line with the international law. For each Syrian who returns to Turkey, another Syrian will move to the EU directly from Turkey (1: 1 clause).⁷⁶ In parallel, the EU enables significant resources within the Turkish Refugee Fund to support refugees in Turkey. In return, the EU pledged to abolish visa requirements for Turkish people as of June 2016, placing 72 criteria to be fulfilled.

This agreement revealed the paradox of the European Union, which spent decades preaching its high asylum standards in the neighboring countries.⁷⁷ Despite reaching an agreement, the skepticism have grown among the Europeans whether such an agreement is legal and complementary with the international law or is it implementable at all.⁷⁸ The later raised a number

⁷³ Web page of the European Council., „Meeting of heads of state of government with Turkey –EU-Turkey statement <http://www.consilium.europa.eu/en/press/press-releases/2015/11/29/eu-turkey-meeting-statement/>.29.11.2015.

⁷⁴ European Commission „EU-Turkey Statement. One Year on“.17.03.2017.

⁷⁵ Ibid.,

⁷⁶ Ibid.,

⁷⁷ Web page of Migration Policy Institute.” The paradox of the EU-Turkey Refugee deal”.<https://www.migrationpolicy.org/news/paradox-eu-turkey-refugee-deal>.Accessed on 12.02.2018.

⁷⁸ Ibid.,

of questions. At the outset, this plan provoked criticism from the civil society and international human rights organizations, as Turkey is a country with poor human rights record and expected to protect migrants as per the agreement.

In legal terms, the UN refugee agency has already said the deal is likely to be dysfunctional because it contradicts the key aspects of the UN refugee convention from 1951. The terms of the convention, suggests refugee cases to be assessed on an individual basis, rather than being subject to general policy. Also refugees should not return to countries that are unable to guarantee their rights, including Turkey.⁷⁹

In Turkey, the perception that the EU will not meet its obligations has grown over the time. Although the European Commission gave green light on May 3, it became clear that visa liberalization would not happen according to the agreed plan from June 2016. To enable this, Turkey needs to adopt further anti-corruption measures, align its personal data protection legislation with EU standards. The attempted military coup in July 2016 further worsened the situation with the government in Ankara declaring a state of emergency. Turkey repeatedly threatened to pull out of the agreement unless the EU fulfils its promises, insisting on the need to meet the visa liberalization deadline in particular.⁸⁰ However, the Turkish government does not seem overly concerned about Europe's lack of commitment to the "1: 1 clause" due to the fact that only 2,777 Syrians moved to Europe from Turkey, which is just a small fraction of the agreed 72,000. In any case, the agreed goal in itself is ridiculous compared to the total of over 2.8 million Syrians on Turkish territory.

The effect of the EU-Turkey Agreement

Although at the beginning it seemed like a plan impossible to implement, one year after the signing of the agreement, the effect of the EU-Turkey Agreement was immediately evident. Thanks to the Turkish authorities in particular, arrivals have dropped dramatically, clearly demonstrating that the business model of smugglers exploiting migrants and refugees can be shattered.⁸¹ From 10,000

⁷⁹Web page of The Guardian."EU-Turkey Refugee deal Q-A. <https://www.theguardian.com/world/2016/mar/08/eu-turkey-refugee-deal-qa>. Accessed on 10.02.2018.

⁸⁰ Web page of Euractiv."Erdogan threatens to end migration deal with Brussels, praises Putin". <https://www.euractiv.com/section/global-europe/news/erdogan-threatens-to-end-migration-deal-with-brussels-praises-putin/>.09.08.2016.

⁸¹European Commission,,EU-Turkey Statement. One Year on".17.03.2017.

refugees /migrants crossings in one day in October 2015, one year later the number was reduced to 43 refugees /migrants, while the number of deaths in the Aegean Sea decreased from 1,145 before the agreement to 80 the following year.⁸² A year later, about one million people were prevented from the dangerous routes and more than 1,000 lives were saved trying to reach the EU.⁸³ In addition, 916 irregular migrants were returned from Greece to Turkey and more than 4,000 Syrian refugees were relocated from Turkey to the EU member states.⁸⁴

The EU will support Syrian refugees in Turkey with 3 billion euros for 2016 and 2017 via the Refugee Fund in Turkey.⁸⁵ The funds goes directly to field projects aimed at meeting refugees' needs focusing on humanitarian aid, education, health, municipal infrastructure and socio-economic support. In the first year, 2.2 billion euros were already allocated by the Fund and 39 projects worth 1.5 billion euros were signed.⁸⁶

The EU member states provide significant support in the implementation of the EU - Turkey Agreement on Improving Migration Management and Accession Conditions in Greece. The EU actions are focused on mitigate the situation on the Greek islands particularly.

The EU - Turkey agreement focuses on its main objectives of reducing the number of people arriving illegally in the EU and the loss of life of people in the Aegean Sea, by providing safe and legal routes to the EU for those in need. The agreement has become an important element in the EU's comprehensive approach to better migration management as stipulated in the European Migration Agenda from May 2015, aiming to help the implementation of:

- Saving lives on sea and providing protection to those in need through resettlement;
- Addressing the root causes of irregular migration and assisting the most vulnerable with funding and direct support;

⁸² Ibid.,

⁸³ Ibid.,

⁸⁴ Ibid.,

⁸⁵ Ibid.,

⁸⁶ The projects in particular provided 500,000 Syrian children with access to formal education, 70 new schools were built, 2,081 teachers and other education staff received training, and two million refugees will have access to primary health care and services. Ibid.,

- Ensuring that the EU's external borders are protected and that irregular migration can be stopped, while those without a need of protection to return, fully respecting their international and human rights.⁸⁷

Apart the good sides of the agreement, it is important to mention, one year after signing this controversial agreement between the EU and Turkey, tens of thousands of people are stuck in camps suffering increased level of trauma and depression. The despair for the future causes a rise in suicide among refugees and migrants trapped in detention centers in Greece and the Balkans.⁸⁸

The psychologists from the International Medical Organization documented an increase by two and a half of the number of refugees suffering anxiety and depression and a tripling the number of people with post-traumatic stress disorder from the beginning to the end of 2016.⁸⁹

Despite many questions about its implementation, the agreement is still alive. If it collapses, that would mean the end of the migrant wave in the same time, it will inevitably worsen the EU – Turkey relations Turkey cannot be expected to absorb the burden of accommodating such a large number of refugees.

Furthermore, the EU will have to make an extra effort to assist the Turkish authorities in providing social assistance to refugees outside the camps through the Refugee Fund. Also, the participation rates of Syrian refugee children in Turkey remain low and this needs to be addressed urgently in order to prevent a generation of children from being lost.⁹⁰ In addition, facilitating the access to the labour market occupational by removing existing barriers is equally important.

Conclusion

From all above the conclusion is, the migrant crisis forced the EU to recall the importance of its relations with Turkey and getting closer again. For the leaders, the goal was clear: to find a way to prevent unverified and dubious arrivals in the European Union. The fact that a group of 28 states with multiple different interests could find consensus on one issue speaks for the level of concern

⁸⁷ Ibid.,

⁸⁸ Web page of The Telegraph."c".<http://www.telegraph.co.uk/news/2017/03/14/year-eu-turkey-deal-refugees-migrants-limbo-commit-suicide-suffer/>. 14.03.2017.

⁸⁹ Ibid.,

⁹⁰ Laura Batalla Adam, "The Refugee Card in EU-Turkey Relations: A Necessary but Uncertain Deal", in Global Turkey in Europe Working Papers, No. 14 (September 2016)..p.9.

that leaders perceive about their own political future in a context of the growing populism that began to emerge.

The migrant crisis was an occasion to revive the EU - Turkey relations on the one hand and challenge for stable relations between the EU and Turkey in the other.

At present, the cooperation established to cope migration has a form of an Agreement, while the future of the agreement itself will influence the EU-Turkey relations. In the near future the relationship between the EU and Turkey will be characterized by cooperation or competition in terms of migration.

However, it can be confirmed, if the agreement falls apart the skepticism and the Anti-Europeanism in Turkey will increase complicating the EU approach to the migration issue. The opposing interests of EU and Turkey regarding the migration management indicate a competitive scenario.

Above all, the agreement can be maintained and the cooperation regarding the migrant crisis can take place effectively. If that happens, the EU should keep its promise of visa liberalization and continue the financial aid. The EU member states must demonstrate solidarity in resolving this humanitarian crisis and a consensus on a fair refugee distribution in Europe fulfilling its commitments.

All of this could further result in finding another way of shaping the EU - Turkey relationship, in so-called "privileged partnership".

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***A Southeast European
approach to the modern
tendencies in
Business & Economics***

NON-EUROZONE PILLARS FOR SUCCESSFUL INTRODUCTION OF THE EURO AS CURRENCY

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Abstract

Eurozone as third largest marketplace in the world provides more than a solid basis for the euro stability and growth of use. But the beginnings of the newly established currency were successful due to the widely accepted use from the economic players outside Eurozone. We are researching their importance for the successful introduction of The euro in the period of its very beginning providing the evidence of how important such factors for the newly established currency positioning.

Keywords: The euro introduction history, Foreign exchange reserves, Eurozone, Currency intervention

The euro as reference currency

Predictions on effects of the euro introduction inside the Eurozone were strongly true but the international position remained to some extent uncertain⁹¹. and choosing the appropriate exchange rate regime is one of the main tasks of monetary authorities, with additional implications regarding the size and composition of foreign exchange reserves. The IMF lists about 150 countries whose exchange rates are based on a reference currency or a basket of currencies. In 40 of these countries, the euro serves as an anchor for foreign exchange policies, either as a reference currency or as part of a basket. The use of the euro in third countries has a strong geographical and institutional basis. This is particularly evident in non-eurozone EU member states. It is also noteworthy that it is

⁹¹ Melnik, A., and D. Nissim (2004), "Liquidity and Issue Costs in the Eurobond Market: The Effects of Market Integration", Working Paper No. 3/2004, International Centre for Economic Research (ICER). p-80

widely used by EU candidate countries, potential candidates, as well as by Francophone countries.⁹²

The choice of currency-anchor is fundamental and its changes must not be frequent. Of the new EU members, only Slovenia, Estonia and Lithuania have joined the Foreign Exchange Rate Mechanism II since the end of June 2004. Latvian authorities announced on January 1 that instead of using the currency basket as a reference exchange rate, they were switching to the euro as the reference currency for their currency's exchange rate. Romania, which joined the EU on January 1, 2007, increased its share of the euro in the currency basket by 75%.⁹³ The following table shows what foreign exchange regimes the countries of the world have in terms of the relationship between those foreign exchange regimes and the euro. They are divided into three groups: EU non-eurozone members, candidates and potential candidates for EU membership, as well as other countries that link their exchange rates to the euro.

Table 1- Sets whose exchange rates are related to the euro
 (June 30, 2004)

Region	Foreign exchange regime	State
European Union (non-eurozone members)	ERM II	
	With arrangements directly related to the euro	Denmark, Estonia, Lithuania, Cyprus, Slovenia, Hungary
	With arrangements directly in which the euro is in a basket of currencies	Latvia, (SDR), Ma lta (70% of the currency basket)

⁹² Nauschnigg, F. (2003) "The Use of Euro and Other Foreign Currencies in Central and Eastern Europe: A Survey of the Austrian National Bank", *INFER Studies*, Vol. 8, pp. 89-106

⁹³ Stix, H. (2001) "Survey Results about Foreign Currency Holdings in Five Central and Eastern European Countries", *Cesifo Forum* (3), pp. 41-48.

	Conducted a fluctuating exchange rate with the euro as a reference currency	Czech Republic, Slovakia
	Purely fluctuating course	Great Britain, Sweden, Poland
Candidates or countries potential candidates for the EU		
	Unilateral euroization	Kosovo, Montenegro
	Currency based on the euro	Bosnia and Herzegovina, Bulgaria
	Arrangements or managed fluctuating exchange rate with the euro as a reference currency	Macedonia, Croatia, Serbia, Romania
	Fluctuating course	Albania, Turkey
Others		
	Unilateral euroization	European micro-markets, French territories
	Euro-based arrangements	Francophone countries, part of French overseas territories, Cape Verde, Comoros
	With a managed fluctuating exchange rate or a basket of currencies in which the euro plays a significant role	Israel (28%), Seychelles (37.7%), Russian Federation (40%), Botswana, Tunisia, Vanuatu, Morocco

Source: IMF and ECB calculations

There was a tendency in the world to continue to increase foreign exchange reserves. Thus, at the end of 2003, they reached a level of 3.014 billion USD compared to 2,397 USD at the end of 2002.

The euro-denominated asset as part of global foreign exchange reserves was slowly rising.⁹⁴ This was a result of development in both industrialized and developing countries. However, within developing countries, foreign exchange reserves in euros increased by 1%, in the period from 2000 to 2003, while in the portfolios of industrialized countries they fell from 21.3% to 20.9%, in the same period. This is shown in the following table.

Table 2 - Official foreign exchange reserves: participation in the euro (as% of total foreign exchange reserves at the end of the year)

All states	2002	2003	2004	2005
USD	66.6	66.9	63.5	63.8
Euro	16.3	16.7	19.3	19.7
Japanese yen	6.2	5.5	5.2	4.8
Pound sterling	3.8	4	4.4	4.4
Swiss franc	0.5	0.5	0.6	0.4
Non-specified currencies	6.6	6.4	7.1	6.8
Industrialized states				
USD	72.5	72.7	69.1	70.8
Euro	17.2	17.5	21.3	20.9
Japanese yen	6.3	5.6	4.6	4
Pound sterling	2	1.8	2.2	1.7
Swiss franc	0.2	0.3	0.6	0.2
Non-specified currencies	1.8	2.1	2.2	2.3
Countries in Development				
USD	62.2	62.9	59.8	59.3
Euro	15.6	16.2	17.9	18.9
Japanese yen	6.1	5.4	5.5	5.2

⁹⁴ Detken, C., and P. Hartmann (2000), "The euro and international capital markets," *ECB Working Paper*, No. 19, April.p-112

Pound sterling	5.1	5.4	5.8	6.2
Swiss franc	0.7	0.6	0.6	0.6
Non-specified currencies	10.2	9.4	10.4	9.8

Source: IMF Calculations

The growth of the use of the euro in 2002 is a consequence of its appreciation on the world market, immediately after its successful introduction. In 2002, the value of world-denominated assets increased. The euro, for the first time since its introduction, gained due to higher prices, rather than due to quantitative effects, ie. the current accumulation of reserves denominated in euros for the period under review. This is shown in the following table. In contrast to the euro, the dollar fell in the foreign exchange reserve portfolio due to its depreciation, as well as the reduction in prices expressed in the USD. And while countries bought USD foreign exchange reserves (+236 billion on the SDR), the value of the USD fell so much that they lost more than 100 billion SDR.⁹⁵

Table 3 - Composition of official foreign exchange reserves at the end of the year

USD				
Change in reserves	142.2	89.3	20.7	161.2
Quantitative change	97.3	54.4	102.1	263
Price change	44.9	34.8	-81.4	-101.8
Value at the end of the year	934.4	1,023.60	1,044.30	1,205.50
Euro				

⁹⁵ Pringle, R., and N. Carver (eds.) (2003), *How countries manage reserve assets*, Central Banking Publications, London. P-126

Change in reserves	63.6	27.2	60.9	55.5
Quantitative change	67.2	31.2	33.7	21.7
Price change	-3.7	-4	27.2	33.9
Value at the end of the year	228.6	255.8	316.7	372.2

Source: IMF 2004

From the ECB's 2003 review, it can be seen that a significant increase in foreign exchange reserves in favor of the euro is observed in those countries that are de facto or de jure linked to the US dollar. There is no significant change in the euro against countries that are candidates for EU membership, as well as from those whose largest trading partner is the EU.

According to the data published by the Central Bank for the period 2003 to 2004, there are no significant changes in the foreign exchange reserves of the countries, except in Australia, which significantly reduced the assets of the Central Bank in euros, and in Croatia and Slovakia. which in turn increased euro assets.⁹⁶ This is shown in the following table.

⁹⁶ Review of the international role of the Euro, ECB January 2005 p-15

Table 3 - Review of the quantity of currencies in which foreign exchange reserves are kept in selected countries

	Euro		USD		Japanese yen		Others	
	06/200	06/200	06/200	06/200	06/200	06/200	06/200	06/200
	3	4	3	4	3	4	3	4
G20 states								
Australia	40	31	40	54	9	7	11	8
Canada	46	43	51	53	3	3	0	0
Great Britain	50	50	32	36	16	14	0	0
USA	56	56	44	44	0	0
The new members of the EU								
Latvia	43	41	43	43	3	4	11	12
Slovakia	63	68	33	29	0	0	4	3
Neighbors of the EU								
Croatia	55	70	32	30	3	0
Switzerland	61	51	37	38	0	0	12	11

Source: CB of States and ECB Calculations

The euro as an intervention currency

Quite a number of countries in the world are opting for a managed fluctuating exchange rate in the market, in order to respond appropriately to the turbulence of the world economy. But very few countries are transparent about the number of interventions, as well as the currencies in which they do so. Japan is one of the few countries that publishes data on the number and type of foreign exchange market interventions in order to maintain a stable exchange rate of the national currency. To this end, Japan spent approximately 250 billion USD from mid-2003 to mid-2004, but not euros. Also, from press conferences and other information materials, it can be concluded

that the Czech Republic, Hungary, Slovenia, Slovakia and Latvia spend large sums of money to maintain a stable exchange rate. Similar interventions are present in Romania and the Western Balkans.

Private use: the euro as a parallel currency in third countries

Residents of many developing countries choose to keep foreign currency strong, for the needs of their parts activities, whether it is transaction through giro account, cash transfers, savings, etc. About this in najgo le m of contributing variability and volatility of the national currencies of these countries, which many times is exposed to internal and external shocks. Since these are currencies that are more often taken out of the payment system and used in the informal economy, it is very difficult to accurately estimate the amount of currency used in that economy. Especially in the case of the euro, it is difficult. to do so, because it is used by citizens of neighboring EU countries (Montenegro, Kosovo, partly in Bosnia and Herzegovina, Serbia, Bulgaria, Romania, Croatia, Macedonia). One of the most accurate tools for monitoring the use of the euro outside the eurozone is the net export of euros outside the eurozone. Transactions between authorized banks and individuals outside the eurozone are measured here. However, such methods always lack significant parts of the currency movement.⁹⁷

An example of solving is then this problem can be found within the report "US Treasuries" (United States Treasury Department (2003)., In which the researcher Fischer investigated the relative importance of the main reasons for keeping the euro several alternative methods.

It establishes evidence of the relative importance of demand for the euro as a means of payment abroad. In its model, the exchange rate of the euro in the respective countries was a barometer for the non-resident demand of the euro in the respective countries.⁹⁸ Also, the demand for high value banknotes is one of the ways to determine the performance of the euro. Once completed in its second phase, the study derives the estimate of the euro rate outside the eurozone's currency

⁹⁷ Aliber, R. Z. (1973), "The Interest Rate Parity Theory: A Reinterpretation," *Journal of Political Economy*, 81, p. 1451-1459.

⁹⁸ Fischer, B., P. Köhler and F. Seitz (2004), "The demand for euro area currencies: past, present and future", ECB Working Paper No 330.p-102

zone. This estimate, in addition to the previously mentioned elements, also includes the seasonal fluctuations of the euro due to tourist or holiday reasons. The study used three alternative methods for using the euro as a currency in other countries:

- The first method refers to a simple comparison of the relative use of national currencies in relation to the importance of the euro as a payment currency in the respective country;
- The second method refers to the comparison of banknotes in circulation from several reference currencies, through the fluctuation of their exchange rate;
- The third method refers to making a historical regression of the circulation of currencies outside the euro area. ⁹⁹

The results of these methods indicate that from the introduction of the euro until today, from 8% to 15% of all printed banknotes circulate outside the eurozone.

Conclusion

Using The euro as currency in which foreign exchange reserves are kept from the countries that were not a part of the Eurozone, using the euro as intervention currency and even its usage as unilaterally adopted currency from some states has contributed to the demand increase and thus to the better global positioning of the euro from the very beginning. Consequently, such demand increase has pushed the demand for the most attractive currencies coming from the less developed countries mainly decreasing the accounts of British pound, Swiss franc and Japanese Yen. The euro currency introduction was shown as best managed currency introduction in the world's history.

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**AN EPISTEMOLOGICAL DISCOURSE ON THE DIALECTICAL CONFLICT
“RATIONAL VERSUS IRRATIONAL” AND ITS IMPLICATION ON SUSTAINABLE
ECONOMIC AND POLITICAL POLICYMAKING**

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Abstract

In this epistemological discourse, we argue that both, rationality and irrationality have a relativistic nature. We further use this relativistic nature argument, to identify the rational patterns in a general irrational behavior and to identify irrational patterns in a general rational behavior. This relativistic nature argument of rationality and irrationality served us to analyze the policy making endeavor in the perspective of two opposing yet potentially fruitful policy making ideologies. We discuss that these two ideologically distinct policymaking endeavors are subject to two distinct utilities and as such they should be treated as two different yet interdependent policymaking processes. We conclude that modern sustainable economic and political policymaking which is led by the goal for sustainable development should consider the dialectical conflict of rational and irrational behavior to be present not only in policy making endeavor but also in the economic agents' behavior, whose behavior the policy maker is aiming to optimize.

Introduction

The dialectical conflict in between “rationality” and “irrationality” has been present since the very beginning of human consciousness. It has been treated as special topic of interest in philosophy (Chater et al., 2018; Kahneman, 2003), neuropsychology (Holtzman, 2018) and empirical astrological research (Mahendra et al., 2021). In philosophy, dialectic conflicts have been an inspiration for analyzing the notion of opposition, interdependence and relativity (Andrade & others, 2019). Rationality and irrationality as opposing forces have driven human history toward a diversity of thinking and a methodological diversity of pursuing knowledge and interpreting the epistemological arguments derived empirically. From general philosophical treatment of the conflict between rationality and irrationality, has been derived the duality “body versus mind”,

where the rationalists rely purely on the objectivity of the observed physical object (*the body*), contrary to the irrationalism which recognizes subjectivity as part of the observational process and target of observation, which can also be an abstract subject (*the mind*) (Chater et al., 2018). In both cases, the notion of measurement is acceptable, however due to mostly abstract subjects, irrationalism in addition to empirical approach, methodologically, it also recognizes the interpretative approach for interpreting the observations.

Historically, these oppositional views, have started to become complementary (Ikegbu, 2017). For example, in neuropsychological research, the dialectical conflict between rationality and irrationality has been approached from both, the biological and the psychological perspective, where the field of biopsychology has emerged (Prasad, 2020). However, there is a lack of a complete complementary process of political science and psychology, the conflict “rationality versus irrationality” remains still present and it reflects this lack of complete complementarity very often in policymaking, whenever the policymaking endeavor is based on psychological or only purely political ground (Carranza, 2016; Frensey & Michaud, 2006; Richardson et al., 2015)

On the other hand, the financial astrological research on dialectics is also very actual (Mahendra et al., 2021) and provides a contextually illustrative explanation of the conflict “rationality versus irrationality”. Moreover, astrology has been a key policy making tool in ancient and medieval civilizations (Campion, 2017, 2019). For example, contextual analysis of the astrological cyclic patterns implies that we are shifting from the age of Pisces to the age of Aquarius (Barzilai, 2019). The age of Pisces whose symbol is two fishes in opposite direction, is interpreted as the age where two opposite forces, that of rationality and irrationality are confronting each other, such as the West confronting the East, materialism confronting immaterialism. Whereas the age of Aquarius whose symbol is a man pouring a bucket of water “from the above to the below” is interpreted through the hermetic analogy “As above, so below”, meaning that “laws which apply in the Heavens apply also in the Earth” (Hanegraaff, 2018). This astrological view shows the potential future dominance of a knowledge of “irrational nature” which in the previous age (the age of Pisces) was struggling to survive. This is further interpreted as the immaterial (abstract and spiritual) over-dominating the material, because the hermetic tradition presumes that by interpreting the patterns in the stars and planets, we can explain natural and social changes in the

Earth. If this contextual interpretation would be the ground for the shift of consumer preferences, we can build the analogy of it with the current shift of rationality-oriented toward more irrationality-oriented consumerist societies and indeed, this contextual interpretation of astrological cyclic patterns does correspond with many general patterns we have witnessed in the past decades of innovation management and marketing (Holbrook & Hirschman, 1982; Steenkemp, 1997; Zwick & Dholakia, 2006).

The relativistic nature of “rationality” and “irrationality”

The very shift from the “production” oriented societies toward “service” oriented societies is a key fact that immaterialism has started to over-dominate materialism and the driving force of this is the process of innovation management (Dhandra, 2019). The corner stone of innovation management is the identification of applicable and knowledge generation resources which are of intangible (abstract) nature, namely just ideas, and development of these ideas in entrepreneurial logic. On the other hand, these ideas are generated from other cognitive processes which do follow in parallel, both rational and irrational patterns (Elmaraghy et al., 2012; Filip, 2020). More specifically, ideas that lead to innovation are generated through decades of explorative and exploitative efforts where the integration of capability and creativity has been not only recognized as valid in literature, but it also is being promoted as key performance factor of innovation, entrepreneurship and policymaking (Strevens, 2020). Despite this, irrational behavior has been subject of criticism for centuries. Moreover, behaviors which are categorized as irrational are very often subject to persecution by law, society and culture (Aftab, 2021). On the other hand, it is a fact that socio-cultural revolutions historically have been successful to change what has been considered as “rational” by the laws and make them more appealing to their “irrational” preferences. For instance, behaviors which were considered to be “rational” in communist societies were replaced with “irrational behaviors” which yet are considered to be “rational” in current capitalist societies (Moll & others, 2019). This explains the relativistic nature of both, rationality and irrationality. Obviously, two opposite socio-cultural (and also ideological) forces are clashing on global scale and each of these forces has its own arguments of why they should dominate one over the other. It would be very general to approximate these two opposite forces as materialism versus immaterialism. Therefore, we aim to propose a new view of irrational behavior, where

rational behavior is subset of irrational behavior. The latter used concept of “subset” is not a static view, rather it is of flexible, thus of relativistic nature. That being said, depending on the external circumstances the set-subset roles can be changed (relativistically) and as such, irrational behavior can become subset of rational behavior in other circumstances. This leads us to the idea that in practice, rationality and irrationality cannot be achieved in their purest forms, just like any dialectic process, but they are subject to shift into set-subset fashion of each other.

Rationality is not a static well-defined subject. Its nature is dynamic, and this dynamism is induced by evolutionary mechanisms. Rationality adapts to the environmental changes slowly, but it does adopt (Leimar & McNamara, 2019). This adaptation is nothing else then the concept of learning. Therefore, societies subject to evolution, continuously update their beliefs. What has been considered as rational some time periods before, not necessarily will be considered as rational in the future. Moreover, it might even be considered as irrational in a very far future due to the evolution of the consumer preferences. As such, the evolution of the states of knowledge and the learning curve which is reflected through the latter evolution of consumer preferences, have served as a benchmark for re-defining rationality all over human history. Incongruencies in between the states of knowledges and differences among learning curves have created ideological conflicts where the conflicting factor is just different level of understanding what rationality is. This implies a relative nature of rationality, even though rationalism is traditionally being promoted as if it is solely in search of absolutism. As a matter of fact, rationality assumes that humanity is historically lead by evolution, and yet this evolutionary dynamism is based on learning by mistake (error) principle, where the previous state of knowledge serves as a benchmark for comparing the future state of knowledge, and this principle of comparison is relativistic, not absolute. Moreover, not all the costs of errors made historically by humanity, are explicit costs. There exist also implicit costs, such as opportunity cost and this cost furthermore demonstrates the relative and evolutionary nature of rationality. And what is considered as opportunity cost for one agent, not necessarily is considered as a cost for another one. This link between rationality and learning is mediated by the state of knowledge the agent has. And this state of knowledge is also subject to continuous upgrading mechanisms. If now we follow the deductive reasoning, we will observe that: if state of knowledge is also subject to change just like rationality is, and moreover both these two tend to

bring the learning agent into a better surviving position, then there exists a hidden but yet very present factor, where the errors (irrationality) bring to better rationality through improving the upgrading nature of rationality itself. By this logic, we argue that irrationality is way more complex entity than rationality and we propose a meta-view, where irrationality does contain a rational agenda in itself.

In academia, there is a huge addressing of merits toward rationality, which presumably makes rationality to be of “realist” nature compared to the “idealist” addressing to the negative ethical attributes of irrationality and yet this addressing occurs both, in terms of consequentialism and utilitarianism (Fisher et al., 2021). The complexity of the environment in which economic agents live, is of infinite combinatorial level and to a “rational agent” this environmental chaos entitles immense costs in terms of resource consumption for a solid information processing. We propose the idea that, if the economic agent would adopt a “dose” of irrationality, she overcomes these costs by compensating them with the act of risk-taking. To clarify, although the latter “risky but resource efficient logic” of irrationality offers a basic application of the law “more risk, more return” (and less information processing costs), where this risk-taking nature of irrationality should not be considered as a matter of gambling or luck. Instead, it should be considered as higher level of inductive inference, where the agent would rely more on her subjective beliefs. This applied subjectivism can be considered the same as the subjectivism in Bayesian statistics (Otárola-Castillo & Torquato, 2018). Consequently, this subjectivism expressed through resource consumption efficiency, pertains to irrationality as a system of decision making which contains a strategic, long-term and exploratory set of actions. Whereas rationality is limited to tactical, short term explicatory set of actions.

In both these systems of thinking, the problem arises with exercising control over the unpredictable future. However, it is irrationality the one that prepares the economic agent to become a better predictor for the future by engaging her in risky, novel endeavors and thus allowing her to learn new things, while rationality tries to predict as best as it can at the current moment by limiting the economic agent into what has been learned from her previous experience. For instance, the irrational and risk-taking behavior of a little child who wants to drive bicycle offers to her the

capability at a later age to learn to drive a motorcycle easier, quicker and yet, resulting with an efficient consumption of efforts, time and attention resources. We call this comparative advantage of an irrational endeavor toward rational endeavor, as a “hidden rationality” of an irrational behavior, because it is not self-obvious, but yet it manifests itself.

An economic agent who acts subjectively, through a risk taking (and perhaps naive behavior), cannot be addressed as a rational one, because his rational agenda is not self-revealing at the first level of the observation – that of our direct observation as a third party. Instead, the agenda of an irrational economic agent has an accumulating purpose, where the economic agent accumulates exploratory knowledge as to become better exploratory entity. Moreover, it has a long-term domain compared to the short-term domain of the conventional risk-free rational approach. We address to the knowledge exploitation behavior as the very basic rational behavior, because rationality imposes that the decision maker has already a pre-defined set of knowledge objects before she undertakes any action. The efficient use of this set of knowledge objects in the decision-making process are crucial for the effectiveness of the economic agent’s problem-solving success and they largely depend on the economic agent’s capability for analysis. The rational agent “breaks down” or “loosens up” his problem as to make use of the specific part or components instead of the substantial whole. Before we address to theoretical frameworks of how a rational agent thinks, we build the theoretical framework of what does part of (or component) and what does substantial whole means. In terms of space and time, the substantial whole consists of the whole action-goal oriented behavior constituents, evolving through time. We can represent the time and goal-directed behavior of the agent through a horizontal line which has an assumed starting and ending point, where the starting point represents the agent’s current state of knowledge, and the ending point represents the agent’s desired (or targeted) state of knowledge. By this logic, we can identify a directional goal-oriented behavior, where the agent wants to upgrade his current knowledge into a better state of knowledge, and time makes this directionality one-way (feedforward) in terms of making use of the current or future state of knowledge for changing the past actions. Although unidirectional, the dynamics of this goal-oriented behavior reveals an important motivational factor: learning. As a motivational factor, learning is led by curiosity, and in terms of practical utility which the learning would provide to the learning agent is that of surviving. So basically,

minimizing the errors leads to more chances of survival, which reflects into the effectiveness of exploited knowledge.

For instance, suppose we visualize a fictional (abstract) space where we can observe two points: P_0 representing the current state of knowledge state the agent has and P_n representing the future state of knowledge the agent is aiming to achieve, where $n = 1, 2, 3, \dots N$. The distance between these abstract points represents how much the agent must work as to get his knowledge from one to another state. Although two abstract points, the distance logic of these two physical points in a space and time plane, can be entirely applied to grasp the dynamics of the agent's behavior. In this case, the Zeno's paradox of motion (Chattopadhyay, 2018) can be used to further illustrate the hidden "rational agenda" of an irrational agent who is aiming to shift his current state of knowledge in two modes: from *knowledge exploration* into *knowledge exploitation* and vice versa.

Applying the intuition of Zeno's paradox, we can see that if Achille (in our case the economic agent) cannot reach a target if he is about to focus on a pure exploitation endeavor because a pure exploitation endeavor would make his reference points (his initial position P_0 and the position of his target P_n) to vanish. In terms of this abstract situation, the economic agent who would follow a risk-free approach in her decision making would not focus herself entirely on using her experience and setting infinite sub-targets without progressing toward the initially settled target. For instance, let us assume a policy maker whose initial target would be the phenomena of recession. If she would focus entirely on her statistical inference skills to carry on such policy making endeavor, she might deviate from the initial target (recession) and end up researching the statistical inference methods and perhaps becoming an econometrician instead of building a policy based on econometrics, because she wants to make sure her policy making objectivity is compatible with that of statistical inference. On the other hand, another policy maker whose initial target is also the phenomena of recession might decide to tradeoff the objectivity of her statements and apply the notion of assumptions regarding her understanding of recession through an operational definition. All this with the aim to grasp another conceptual construct which would allow her to describe the phenomena of recession, without limiting herself on lack of econometric methodological and theoretical explanations of recession. This "shift" from one conceptual

construct to another, is the shift from exploitation into exploratory endeavor, where the latter is largely considered as irrational. However, it is this exploratory endeavor the one that brings up additional target into the surface. Now the question is not whether recession should be addressed only, but whether she should focus entirely or partially on statistical inferences skills as to treat recession. This induced causative direction after exploratory endeavor allows the policy maker to refresh her strategy, or more concretely, to reset her policy making targets into more appropriate ones.

Proposing a “maximalism” argument for the existence of rational patterns in irrational behaviors and the existence of irrational patterns in rational behaviors

Many times, we face with a dilemma when we have a limited budget constraint in our decision-making process. This dilemma has to do with choosing as to whether apply the consumption logic or saving logic. One might argue that if there is a situation where both alternatives are logical, then this situation should be a paradox. Here, we argue that the situation is not paradoxical, because the notion of relativism applies and as such the dual-logical situation is just a tradeoff in between saving and spending. We further argue that the two reference points leading to a relativistic perspective of saving and spending tradeoff is the dual nature of value: subjective and objective value. This offers a new opportunity to analyze the spending-saving tradeoff in terms of objective and subjective value tradeoff.

In the era of planned obsolescence when unsustainable consumption is being indirectly promoted through a high scale of consumerism lifestyle on one hand and a booming poverty on the other hand, the consumer under budget constraint assumption faces with “one time only” decision making. The conceptualization and aversion toward the risk of return, in such a “one time only” investment decisions is way higher compared to decisions where the investor has the endowment to replicate his investment decision several times. A rational behavior consists of a set of decisions made and whose consequences are continuous. The composite of rationality attribute and the dynamic attribute of the behavior make the concept of irrational behavior to be an action-oriented topic whose patterns compared to the patterns of the rational behavior are being discussed in academia in terms of consequentialist and utilitarianism perspectives.

The attribute “rational” implies a deductive, thus logical implication. In absence of deduction, inductive inference grounded on strict empirical reliability is also considered as method for generating rational implications. But is the attribute “rational” rational itself and whether its derivation as construct is based on a pure deductive method, or is it also as result of an inductive inference? In this short analysis, we propose a maximalism argument as keynote which help us to identify meta-theoretically irrational patterns of a rational behavior and rational patterns of an irrational behavior.

Expenses or costs are considered as necessary but unwanted factor for profit generation. Nevertheless, having a cost management strategy does increase the profit, but this increase should not be overvalued, considering the notion of opportunity cost. In this case, the opportunity cost of following a cost management strategy are all the opportunities which the individual has neglected as to maintain stable cost management strategy. For example, a cost management of one-year salary implies reductions in shopping, night life and overloaded life cycle with technical issues which are not of primary interest. All these reductions and over loadings lead to a deprived sensory social and living environment, whose consequences are manifested as burnout syndrome, loneliness and depression.

If we consider rationality to be value maximization, we address to it two elements. The element of value which is attributable thus of scalar nature, and the element of maximization which is behavioral, because it has magnitude and direction, thus it is vectoral. The case with irrationality is the same, it just differs in the direction of the behavioral element of rationality, which is opposite. This means that the concept of value remains the same in both rational and irrational behavior, but the direction and magnitude of them is different and in extreme cases of opposite nature. Using this logic, when the economic agent does not pursue a fully maximization routine, he is not rational. In addition to this, if the economic agent in extreme case shifts the routine from utility maximization into utility minimization, he acts as fully irrational. We argue that this shift, in theory, assumes an absolute nature of the element of value. Indeed, the element of value has a relativistic nature, thus when the entity shifts direction toward minimization the element of value also changes. We can grasp this change through the concept of tradeoff, and we can quantitatively

express it through the concept of opportunity cost of not shifting from a preliminary utility maximization into a secondary utility minimization. The latter addressing as utility minimization should be adjusted (due to its relativistic nature) for the opportunity benefit it is accompanied with, which represents the opportunity cost of utility maximization.

Several layers or levels of consideration exist when we consider epistemologically an epistemic process as the above explained cost management pursuit. The most basic level is learning to survive. But this level does not imply entirely the evolutionary mechanisms. Adaptive processes which we can consider as epistemic processes are also of another higher level of processing, namely the process of “learning how to learn”. This second level epistemic process can be observed in terms of planned obsolescence. In unsustainable development, planned obsolescence implies rise of technologically related consumer goods not grounded solely on functionality, but also on appearance, change, novelty, complexity and uncertainty. A lot of functionally undissolved consumer goods, fashion trends or even information such as news, are becoming obsolete in an increasing rate. We argue that this is an epistemic issue of consumption phenomenon. By the very fact that epistemology is in search of a consumption artefact such as learning to learn, where every object/subject can be treated as knowledge object/subject, we can understand that a philosophical treatment of obsolescence can offer a structured reflection upon many societal consumption related issues, especially unsustainable consumption issues.

Unsustainable consumption has all the prerequisites to be considered as an irrational human behavior due to its short-term deliberate nature of inefficiency and costs. However, led by the principle that every benefit is associated by a cost, and every cost is associated by a benefit, if we were to focus on identifying benefits of unsustainable consumption, we will see that plenty of these benefits are of epistemic nature. More concretely, they are in favor of second level epistemic processes. They serve as a “fueling” mechanism for evolution of primary epistemic processes into better secondary epistemic processes. Let us illustrate this with a hypothetical example. Suppose we ride a bicycle for very first time. This new experience to us might be costly and risky for sure, falling due to lack of experience of maintaining balance, but yet rewarding. Even though we act rationally and choose other safer transport system, we would still persist to incur the costs and yet

learn how to drive a bicycle. Now assume that you have learned how to drive the bicycle up to a professionally considered level, and yet, you decide occasionally to perform some acrobatic risky moves as to change the monotonic everyday bicycle riding behavior. Does this risky behavior count still for learning how to drive “more” professionally than before? Indeed not, at least from traditionally set criteria of a rational behavior. Because “more” professional does not implies efficiency anymore, especially when this marginal “professionalism” is associated with marginal risky consequences. Now we get to the point where we tend to categorize all such risky behaviors as highly irrational, but we forget the underlying principle that every cost has benefit (or every high risk has high return). Indeed, we know this principle applies well, but what is bothering us is why do we have such intrinsic motivational inner drive to undertake a risky behavior? Well, we argue that this intrinsic motivational inner drive is rational, even though on surface it appears as irrational. Those acrobatic risky ridings are secondary epistemic processes, which do help us to perform secondary new activities in an easier and way more efficient way. In our bicycle acrobatic movements, we can use those experiences later to learn how to drive a motorcycle. It would be completely another scenario someone who has never rided a bicycle to learn to ride a motorcycle, at least in terms of resource use (such as time it would take to learn a new type of activity involving the prior ability to maintain balance on two wheels ride).

The dialectical conflict “rationality versus irrationality” in policy-making perspective

The strategic nature of policy making is reflected on two basic philosophical inquiry elements: analysis and synthesis. These two separate but interchanging elements, face a tradeoff due to the limited attentional resources a policy maker has. In terms of economics, this tradeoff is recognized as opportunity cost, whereas in terms of reinforcement learning framework, this tradeoff is recognized as exploration-exploitation tradeoff (Dayan & Daw, 2008). It is a research problem which has been primarily addressed by the field of mathematical optimization, where the mathematical optimization framework provides mathematically an optimal choice in between these two philosophical inquires. This convergence is supposed to bring together the goal-directedness of analysis such as structural framework building of the problem at hand, and the prepotency of rationality per se to stick to the rules which apply always, are realistic, achievable and the most important, objectively measurable. We define operationally analysis as finding such

a pathway toward deepening the understanding of what the policy making problem at hand represents, and how we can find its underlying causal mechanisms, but always sticking to the idea that this understanding has also to be explanatory by nature. The latter attribute, the ability of the theoretically constructed framework to be explanatory, requires that the idea to be appealing to other's relative perceptual points of references. If the one considers the problem to be understood on a deep level by herself, not necessarily the same level of understanding should be assumed for the targeted economic agents. This is important, because it is the economic agents the ones that judge the rational appeal of the theoretically constructed framework for further policy making endeavor, and economic agents are indeed heterogeneous in terms of perceptual reference points. This leads toward the problem of representation of a policy idea, thought or behavioral change intention to the economic agent who tends to act as rational as he can. But what we can identify at this point is that rationality mainly deals with the representation of an idea than the idea itself. Perhaps putting the categorizing filter of whether something or someone is rational or not has been more efficient to be placed at the very end of the idea, that is idea representation. Because something which is rational, can be rationally explained.

A policy making body whose information access or information processing ability are limited due to resource constraints, is forced to bring a decision grounded on an inductive and thus inferential basis. This induction represents making use of or synthesizing the "pieces" of information which are available (related or merely related to the situation at hand) in a strategic context. The strategic nature of this knowledge exploration endeavor implies a purposeful self-directness to a well-defined target, without falling short of motivation and activity. A set of knowledge objects exists, and the policy maker has already a pre-defined understanding of these knowledge objects gained through experience. The issue which we address in this analysis has to do with the attribute of obsolescence that these knowledge objects are characterized with, because knowledge is not a fixed resource which would conserve its value. This implies that the economic agent has to maintain this set of knowledge objects relative to the external and internal factors which make the knowledge to become obsolete (useless). Rational behavior entitles the negative consequences as "miss calculations" led by the in-effective use of the knowledge set or the lack of knowledge set. Therefore, every other behavior which is outlier of what is considered "on average" rational or "on

average” derivative of rationality, is named as irrational, miss leading, inefficient, thus naive behavior. But we should not understand learning only as a surviving motivational factor, because a motivational factor not necessarily has to have a practical application. Curiosity for example, not always has a practical application, even though curiosity might lead to learning and learning can be applied to surviving. The reward mechanisms, reward fulfillment of curiosity whether or whether not curiosity has led to learning. And it is this point, which reveals two utility categories which are same by objective function maximization, but yet different in their nature.

What is important to emphasize in the end, is that compared to the proactive nature of the knowledge exploitation endeavor, the knowledge exploration endeavor has a reactive nature. Irrational behavior is an existent behavior, and it is just as important as rational behavior. It is obvious that historically the connotative meaning of irrational behavior has been ideologically associated with inefficiency, illogical outcome and destructivism. All this is implied by judging the consequences which accompany an irrational behavior, without studying the economic agents’ inner motivational factors behind such irrational decisions.

Conclusion

We argued that addressing to objective utility as the only point of reference for a comparative addressing in between irrational and rational behavior is not a “fair” comparative analysis in policy making endeavor. This is because a pure materialistic viewpoint of utility maximization does not allow for grasping the subjective utility of an economic behavior. Moreover, a rational behavior can often be pursued for subjective rather than objective utility, just like an irrational behavior can often be pursued for objective rather than objective utility. And in the most interesting cases, a rational behavior can often have irrational motivational factors just like irrational behavior can often contain rational motivational factors. We conclude that a properly managed irrational behavior might lead to a more complex and information rich policy making outcome compared to a pure rational behavior. But this proposition will remain unaddressed as long as the traditional denotative and connotative meanings of irrationality are to be upgraded in policy making process by considering the potential for epistemic utility of economic agents’ irrational behavior.

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**THE FINANCIAL SYSTEM AND THE SITUATION IN THE FIELD OF MONEY
LAUNDERING IN THE REPUBLIC OF NORTH MACEDONIA AND THE
APPLICATION OF THE FATF RECOMMENDATION**

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Abstract

The research conducted in this paper aims to understand the situation in the field of money laundering in the Republic of North Macedonia, ie taking steps to protect financial institutions, specifically banks, as well as establishing international standards and global actions in the fight against money laundering through the application of the FATF recommendations. The effective implementation of the FATF recommendations, which represent a comprehensive and consistent framework of measures to be taken by countries in the fight against money laundering, encourages the stability of national financial systems and financial institutions increase resistance to involvement in money laundering schemes.

Keywords: Financial system, financial institutions, FATF recommendations.

Introduction

The financial system is a set of complex and closely related financial institutions, markets and services. Namely, the financial system plays a significant role in economic growth, and this usually refers to the possibility of the best transformation of savings into productive investments. This means that the financial system allows money to be transferred between depositors and lenders.

The main functions of the financial system are:

- mobilization of savings;
- generating data on potential investments;
- risk diversification;
- monitoring and control of companies.

The financial system of the Republic of North Macedonia consists of the National Bank of the Republic of North Macedonia, commercial banks and savings houses. In order to fully analyze the situation in the Republic of North Macedonia, it is necessary to elaborate significant indicators from the economic and financial sector, foreign direct investment and privatization.

Banks and other financial institutions

Banks are of great importance in the financial system, as key financial institutions that transform deposits into financial assets. Banks form the core of the financial system and have a significant impact on its efficiency and reliability.

The banking system in the Republic of North Macedonia during the period of independence and later was characterized as oligopolistic and highly centralized. Five banks dominated that period. The restructuring of the banking system began with the clearing of the bad loans of these banks, so that in that period the first private banks appeared.

Namely, in the Republic of North Macedonia in 1993 there were 19 banks on the market, while by the end of 1999, 22 commercial banks, one branch of a foreign bank and 17 savings houses participated in the market. Furthermore, as of July 1, 2001, the total payment operations in the Republic of North Macedonia were transferred to the National Bank of the Republic of North Macedonia and to the commercial banks.

The restructuring process lasted until December 31, 2001, after which the function of the Payment Operations Office completely ceased. Thus, a clearing house was established in order to offset the payments of the payment operations carriers on the basis of interbank payments.

In the Republic of North Macedonia, the State Pension Fund has been transformed into a three-pillar pension system, where employees can invest funds in the voluntary pension pillar, in an amount that they will determine, but also determine the manner of their use. There are insurance companies in our country and their number is constantly growing. Insurance companies often have forms of high amounts of life insurance, which in turn can be used for criminal activities by money launderers.

Since 1996, there is a stock exchange of long-term securities in the Republic of North Macedonia. The founders of the stock exchange are twelve banks, three insurance companies and four savings

houses, and seven new brokerage companies have been established, which additionally became founders and members of the stock exchange. Only brokerage houses based in the country can become members of the Macedonian Stock Exchange.

With the improvement and strengthening of supervision and legislation, a trend of development of the banking system and financial institutions begins to be noticed, but still, it lags behind that of the more advanced economies.

Budget and fiscal development

Fiscal policy reforms are one of the basic ones in the reform of the financial system. The changes in the tax regulations consisted of: introduction of new taxes, such as: income tax, personal income tax, real estate tax, value added tax, simplification of the tax system by reducing the number of different tax amounts, increasing the efficiency of the tax administration, etc. As in all spheres of the financial system, so in the fiscal system there are risks and opportunities for criminal activities, financial fraud and money laundering.

The creation and establishment of the Central Registry is a significant novelty. Namely, the Central Registry was established as a central information base of legal and other relevant data in accordance with the Law on the Central Registry.

The Central Registry has the capacity of a legal entity with rights, obligations and responsibilities determined by the Law on Central Registry. In essence, the Central Registry is a database of constituted property rights and real property rights. This central information database has a major role to play in money laundering investigations, but also in the application of confiscation measures.

Foreign direct investment

Foreign direct investment is an important driver of a country's economic growth, but also important for the privatization process. During the transition period, potential foreign direct investors considered the area of the Republic of North Macedonia a risky place to invest. In the Republic of North Macedonia, in the privatization process, certain privatizations with foreign capital have been made. Foreign direct investors have great benefits of tax incentives over domestic investors.

Furthermore, with the Law on Foreign Exchange Operations, direct investments of non-residents in the Republic of North Macedonia are free, ie they can invest in real estate in the Republic of North Macedonia, then trade in securities, but also have accounts with authorized banks. Also, this Law on Foreign Exchange Operations enables non-residents to have the right to make payments and collections in cash foreign currency, but also payments and collections in national currency - denars.

In fact, foreign investments in the Republic of North Macedonia in the period between 1990 and 1996 amounted to only 64 million US dollars, of which 30 million US dollars were realized in the privatization process. A significant volume of foreign direct investment of approximately US \$ 150 million was recorded in 1998, followed by a decline of only US \$ 88 million in 1999, mainly due to increased political risk and the escalation of the crisis in the region. The Republic of North Macedonia is constantly making efforts to attract foreign investment by taking measures from an economic and legal point of view to create a favorable international investment climate.

Namely, several macroeconomic reforms and activities have been made regarding the protection of property rights and the execution of contracts, as well as improving the efficiency of the functioning of the legislative, judicial and executive branches, as well as more efficient administration. In essence, in the Republic of North Macedonia there is some movement in terms of foreign direct investment, but compared to neighboring countries, they represent a relatively small number of foreign investments.

Non-banking financial institutions

Exchange offices and casinos

The Law on Foreign Exchange Operations prescribes the conditions, the manner, the procedure and the necessary documentation for obtaining a license for performing exchange operations, the manner of performing the exchange operations and the supervision performed by the National Bank of the Republic of North Macedonia. According to the Law on Foreign Exchange Operations, exchange operations can be performed by residents who have received authorization from the National Bank of the Republic of North Macedonia. Authorized exchange offices may perform exchange operations in their own name and for their own account or in their own name, and on

behalf of a bank. Namely, the exchange offices are not separate legal entities and therefore, a license for performing exchange operations can be requested by any legal or natural person.

In essence, exchange operations are used to cover up traces of dirty money in the placement phase. The control of the exchange office sector is performed by the supervision of the National Bank of the Republic of North Macedonia, which has the task to supervise the foreign exchange operations of the exchange offices.

The Government of the Republic of North Macedonia, upon the proposal of the Ministry of Finance, issues a license for opening casinos. From the aspect of tax liabilities, the Public Revenue Office is responsible for the supervision over the operation of the casinos. However, casinos are also potential places for money laundering, placement of large amounts of cash.

Money transfer

With the Law on fast money transfer services, electronic money transfer can be done electronically, ie money can be transferred from one natural person in one country to another natural person in another country within 1 hour of payment, regardless of whether the transfer is from or to the Republic of North Macedonia, where the inflow or outflow is made through a bank. Namely, the Law regulates the manner, licensing, supervision of entities that transfer money. The providers of fast money transfer services are obliged to submit monthly reports on the performed transactions to the National Bank of the Republic of North Macedonia, to conduct an audit and to comply with all regulations that cover the regulation on prevention of money laundering. From the point of view of money laundering, it is very important that when transferring money, large amounts of money can be transferred, so this is a convenient way of money laundering, especially for the first phase of placement.

Establishing companies

Data on companies, the identity of the founders of companies, as well as data on business transactions, are of great importance in relation to the money laundering process. In the Republic of North Macedonia, there is a trend of newly registered domestic and foreign companies, whose function remains largely unclear. Given that in many cases money laundering operations are carried out through fraudulent and undercover companies, the need to introduce regulatory

measures to identify the real owners of companies and bank accounts, as well as to introduce criminal liability for legal entities. But despite these recommendations of the FATF Group, The Republic of North Macedonia with the Law on Trade Companies enabled the identity of the persons who established trade companies to be known only to the notaries public who represent them.

Cash payment

Although modern technology is gaining momentum and new money transfer techniques are being marketed on a daily basis, in most countries, including the Republic of North Macedonia, the basis of a money laundering prevention strategy is still based on cash transactions.

Large cash transactions, including those for the purchase of housing, vehicles, property, valuables, etc., are quite normal and commonplace, and financial institutions do not have a system in place to control them. This situation is another convenience for money launderers, which can be used at all stages of the process or, even more, to simplify the money laundering process, by directly integrating the proceeds into the legal economy.

Furthermore, the Decision on the conditions and the amount of cash foreign currency and checks prescribes the conditions and the amount of cash foreign currency and checks that can be imported or exported from the Republic of North Macedonia. According to this decision, residents in the country can bring in cash foreign currency in the amount of up to EUR 10,000, only if they report the amount of cash in foreign currency they bring in when crossing the state border. However, non-residents are also free to bring in cash foreign currency in the amount of up to EUR 10,000, but only if they report the amount they bring in to the competent customs authorities.

Operational group against financial money laundering actions (FATF) - 40 FATF Recommendations

The problem of money laundering at the national level is solved by effective legislation, however, the best solution to the international problem of money laundering can be found only at the international level. Due to the growing concern of the international community about the risk of money laundering, which poses a threat to the banking system and other financial institutions, the group of seven most developed countries in the world, the so-called. G7 countries (USA, Japan,

France, Germany, Italy, Great Britain and Canada), in July 1989, at the Paris Summit, established the FATF – Financial Action Task Force. In essence, the FATF is an intergovernmental working group whose primary task is to develop and promote national and international anti-money laundering policies, as well as to promote the effective implementation of legal, regulatory and operational measures to combat money laundering.

The creation of the FATF is a result of recognizing the real threat to the security and stability of the world financial system and the determination of the seven most developed countries in the world to take steps to protect their financial institutions. Factors that can support this determination are the following: a sense of social responsibility to prevent drug traffickers from having free access to the global financial system in order to conceal ill-gotten gains; and creating an environment in which countries that act responsibly and introduce anti-money laundering measures will not lose the advantage over those countries that have not yet protected their financial systems.

The main goals of the FATF are:

- setting standards and promoting the effective implementation of legal, regulatory and operational measures to prevent money laundering, terrorist financing and other related threats to the integrity of the international financial system;
- monitoring the progress of the countries in the implementation of the FATF recommendations
- review of money laundering techniques and terrorist financing and countermeasures.

The main task of the FATF is reflected in the establishment of international standards and global actions in the fight against money laundering, nationally and internationally. The activities of the FATF relate in particular to monitoring the prevention and repression process in the Member States, reviewing money laundering trends, reviewing actions taken nationally and internationally, as well as implementing appropriate measures for their global control. In other words, the FATF mandate is to evaluate the results of the cooperation already achieved, with the intention of preventing the exploitation of the banking system and financial institutions for money laundering purposes, and to consider additional preventive measures in this area, including the adjustment of the legal and oversight system, in order to improve multilateral legal aid.

In April 1990, ie less than a year after its establishment, the FATF prepared a report with 40 anti-money laundering recommendations, ie recommendations intended to provide a comprehensive action plan needed to combat money laundering, which later, in 1996, 2003 and 2012 were revised. The report with 40 recommendations is a powerful tool in building a unified policy in the fight against money laundering, although without any legal effect, and the recommendations contained in the report laid the foundations of a clear goal in the fight against organized crime and money laundering, including legal, financial and supervisory aspect.

In essence, countries are required to criminalize money laundering, allow it to be confiscated, and exchange information on suspicious transactions. This way is to refresh the financial sector with new rules to prevent money laundering.

The forty FATF recommendations provide guidance on how countries, individually or jointly, combat money laundering. The recommendations had a significant impact on international documents adopted later (the Directive on the prevention of the use of the financial system for money laundering purposes, adopted by the European Community), and the provisions of the recommendations are incorporated in the UN money laundering laws, as well as in the model the Anti-Money Laundering Act, drafted by the Commonwealth Secretariat.

In February 2012, the FATF completed a thorough review of its standards and issued revised FATF recommendations. In essence, this audit has strengthened global protection, but also ensured further protection of the integrity of the financial system, by providing governments with stronger tools for taking action against financial crime. Therefore, the systemic approach and repressive measures are further strengthened.

Conclusion

In the context of our analysis in the paper, we focused on the current situation in the field of money laundering in the Republic of North Macedonia and the necessary steps to be taken to protect financial institutions, as well as the establishment of international standards and global actions in the fight against money laundering. money through the application of FATF recommendations. The legal framework includes a number of measures of preventive and repressive strategies to combat money laundering. From the conducted analysis it can be concluded that it is necessary to

improve the level of effective implementation of the legal provisions at the national level. We can also conclude that it is necessary to set common international standards, because, otherwise, the implementation of measures only at the national level will have a limited effect. In this regard, the fundamental basis of the preventive fight against money laundering is laid by setting the forty FATF recommendations. Although they are basic international standards for combating money laundering, the FATF recommendations are not mandatory, but are legally binding on EU member states.

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**CASE STUDY ON SECTOR ANALYSIS OF THE VERTICAL PARTNERSHIP
ESTABLISHMENT WITHIN THE TEXTILE SECTOR COMPANIES IN MACEDONIA
AND NEED FOR PROACTIVE GOVERNMENT POLICY THROUGH PUBLIC
FINANCE TARGETING**

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Abstract

Textile industry in Macedonia is challenged from the very beginning of globalization through disinvestments, low labor force supply and overall business models used to compete other companies domestically and internationally. There is a need for restructuring strategy for an industry employing more than 30000 people in Macedonia or industry can fail on medium run. One of the key aspects is boosting of the investments within the industry. We are exploring the option how to manage the public finance in order to set measures that will increase cooperation between agents, large companies and small and medium companies. Incentives are to be provided from the budget expenditure side in order such vertical partnerships to be provided.

Keywords: Textile industry, Vertical cooperation, Small and Medium Enterprises

Background

Macedonian textile companies are one of the key contributors to the domestic economy. They are leading exporters and GDP contributors. Even more important for the country with one of the largest unemployment rates in Europe is the fact that textile sector is largest private sector employer (if for the second international companies producing and exporting from the government established free trade zones are excluded). Level of investment within the business is considered as one of the main weaknesses of the industry. Key issue connected is lack of long term partnerships among large and medium textile companies (LMTC) with small and micro textile companies (SMTC). Majority of LMTC are having only partial cooperation with small and micro textile companies SMTC. Within the potential cooperation scheme LMTC can take part as lead

partners and SMTC can take part as following partners in long term vertical partnership. SMTC in Macedonia are operating with very low capital amounts even for Macedonian conditions. Due to it they cannot turn investment cycle to procure technology in order productivity and work conditions to be increased and even pay higher salaries to mitigate the workers shortage problem with the ultimate aim –SMTC growth fostering. In order financial and growth effect of such partnerships to be demonstrated there is a need of third-party small-scale capital incentives. There are three roles within the model analyzed:

Lead partner – Large or medium company with enhanced capacity ready to grant own equipment or invest into new equipment for the following partner as well as to hire him for orders of a single specialized production process.

Following company willingness to invest, to specialize in one or few textile business production areas as well as to produce for the leading partner.

Third party –state budget or other investing party, that will partly finance the equipment procurement costs. From the first stage there were three accomplished projects with support of USAID for which are given result indicators.

Current attempts towards better value added within the small and micro-Macedonian textile companies

SMTC are hired usually for partial orders from time to time mostly on short and medium run, and there are no investments from LMTC towards STMC nor common investment projects. Key common success drivers for the industries are:

- Available market;
- Human resources;
- Technology and
- Capital.

If gradation is to be done than above mentioned drivers can be ranked from Capital as worst to the Available market as best. Technological innovations within the business although not with the same intensity in other industries are providing path for fast growth since there is increased

productivity, quality, historically lowest level of labor dependence resulting with acceptable level of profitability and constant growth for those who invest. Those factors are crucial since main competition comes still from least developed countries through low labor costs but even those countries are planning to invest more in technology within the business analyzed. Labor remains main issue targeted from International Labor Organization also and lack of economic growth desired rates results in lack of investments in the textile industry. For example, in the case of Cambodia textile exports accounting for 65 per cent of total exports in 2016, they do not currently have the same resources or capacity to invest in, or attract foreign direct investment into, new technologies or innovation¹⁰⁰. As long as technological adoption remains low in the Textile industries, the traditional low-cost labor model will provide firms in Least Developed Countries with cost advantages over competitors in middle and high-income countries.¹⁰¹ The uncertainty that has been present in the textile industry of the developed world – particularly in Europe – is a consequence of the continuous and rapid changes taking place in this field in the last few years.¹⁰² There are sheer endless ways of creating complex textile structures out of fibers, yarns or two-dimensional fabrics. In addition to the most common and established processes such as spinning, flat weaving and knitting, sewing or traditional process for niche applications such as embroidery or narrow fabric weaving, novel processes to process advanced materials or generate structures with highly specific shapes and properties have developed and adopted by the industry in recent years.¹⁰³ Developing countries from Asia that are seen as competition to Macedonia in the textile production field under LOHN or other labor-intensive production models are also considering strong investment actions on national level within textile businesses through intermediaries in order to stay competitive.¹⁰⁴ From the Macedonian textile business perspective (unlike the other

¹⁰⁰ Textiles Intelligence: “Business and market analysis for the global textile and apparel industries”, in *Textile Outlook International* (2017, No. 189, December).

¹⁰¹ The future of work in textiles, clothing, leather and footwear, International Labor Organization working series nr. 326, International Labor Organization 2019 p.31

¹⁰² Jure Kovac Bruno Završnik, Brane Semolič, Restructuring the Textile and Clothing Industry Using Modern Business Models – A Slovenian Case Study, *FIBRES & TEXTILES in Eastern Europe* 2009, Vol. 17, No. 3 (74)

¹⁰³ EURATEX – the European Apparel and Textile Confederation –, Study on Innovation and Technology in the European and Mediterranean Textile and Clothing Industry Innovative cross-border approaches for Textile and Clothing Clusters co-development in the Mediterranean basin “, ENPI CBCMED Project, 2015

¹⁰⁴ Muhammad Usman Khan, A comparative study on distribution channels of textile and garment industry in Pakistan and Vietnam: The roles of Intermediaries, Karlstads universitet Sweden 2010

businesses available market is not an issue) but all other drivers can be identified as an issues. Most of the companies are working with redundant technology, lack of capital and in the recent period with lack of human resources on all horizontal (workers with various types of specialization of the production processes) and vertical levels (low, medium and top management). There are companies (like company JOJO as explained below that have better situation with human resources and they can incorporate new production processes within the company such as embroidery. But most of companies are demanding to implement outsourcing model – as a growing business model worldwide, in the production processes where it can be applicable due to various types of restrictions that can be quality assurance, human resources and even legal obligations. Namely, some of potential lead partners are having restrictive clauses in their contracts not to hire subcontractors due to the nature of the production process but that fact is relevant only for the part of potential lead partners producing under the LOHN system and only for the parts of the production process. Macedonian own brand producing LMTC are not subject to those restrictions but their portion is very small in comparison with LOHN system producing LMTC. The outsourcing is widespread in many segments of the textile production worldwide and basically LOHN system is a part of the outsourcing production model. Having considered the importance of the cooperation among the lead and following partners question government decision to provide incentives for better cooperation of above-mentioned partners in order synergy effects to be demonstrated and replicated within the whole sector as well as new investments from companies and other sources is to be undertaken. Hence, within the first stage three pilot SMTC from one side and three LMTC from other side potential partner companies were identified. After successful completion of the three pilot projects second stage was implemented. Consecutively the process was made more competitive due to the above the expectation high interest. Ten potential SMTC/LMTC partnerships were identified but only four selected as best ranked companies during the selection process. Governmental incentives for establishment of linkage of those companies resulting in synergy of organizational management, human resources management, financial management and technology transfer (last as core goal) with indicators to be achieved within all of the synergy areas mentioned are essential. It was identified that micro and small companies can hardly afford access to new technology, new materials, they can hardly improve their know-how without establishment of strong and long-term relationships with domestic textile companies that

are medium and large. Ultimately, they will become more productive and competitive if such relations are established and properly managed. In the second stage four (out of ten) partnerships of SMTC/LMTC companies were identified for the next cooperation. Within this stage also it was cleared that in order process to be made more successful and optimum to be achieved, four party commitments. Commitments are to be done from:

- A) Lead partner;
- B) Following partner;
- C) Ministry of Economy and
- D) USAID BEP project.

Here is the list of tasks and roles of all actors within those “small scale” projects:

A. Hendi Ramatex Cesinovo as Lead textile company partner / EMI DOOEI Kocani as following partner to establish full capacity for embroidery outsourcing through the granted machine within the project ((with USAID BEP financial support) and to be available with full priority for orders of embroidery application by Lead partner. Additional sources might come from the Ministry of Economy through application within the ongoing announcement by the Ministry of Economy on the first come first served basis for partial reimbursement of the investments within the last year. Companies were informed and encouraged to apply for previously mentioned opportunity by USAID BEP project. Additional equipment owned by Lead partner obligatory to be granted to following partner in order capacity of the second additionally to be increased.

B. Bosut DOO Kumanovo as Lead textile company partner and Leoteks as following partner to establish full capacity for automatic pocket end booster machine outsourcing, through the granted machine within the project (with USAID BEP financial support) and to be available with full priority for orders within the production process are that can be accomplished with the machine mentioned by Lead partner. Additional sources might come from the Ministry of Economy through application within the ongoing announcement by the Ministry of Economy on the first come first served basis for partial reimbursement of the investments within the last year. Companies were informed and encouraged to apply for previously mentioned opportunity by USAID BEP project. Additional equipment owned by Lead partner obligatory to be granted to following partner in order capacity of the second additionally to be increased.

C.Laura GMBH as Lead textile orders brokerage company partner and JOJO Kriva Palanka as following partner to establish full capacity for embroidery process outsourcing, through the granted machine within the project (with USAID BEP financial support) and to be available with full priority for orders within the production process are that can be accomplished with the machine mentioned by Lead partner. Additional sources might come from the Ministry of Economy through application within the ongoing announcement by the Ministry of Economy on the first come first served basis for partial reimbursement of the investments within the last year. Companies were informed and encouraged to apply for previously mentioned opportunity by USAID BEP project. Additional equipment owned by Lead partner obligatory to be granted to following partner in order capacity of the second additionally to be increased.

Identified alternative sources of funding

Under the State Fund for Innovations and Technological Development - investments (in various types of innovations such as : new products development, new product lines development, new technology implementation , new product design development) while eligible costs are those made in R&D, experts and project staff hiring, employment workers, new equipment provision as well as marketing and project administration costs), can be subsidized up to 40% and innovations up to 70% but not more than 370000 USD per project (with maximum amount to be returned back to the government of 120% from the money landed within the period of 5 years but only if business went profitable after the government funding) ;

Under the Law on financial support of companies - investments can be refunded with the amount of 50% but not more than 1,200,000.00 USD. The definition of investment as per the law is divided into six eligible types such as:

- Investments for new employment creation;
- Investments for cooperation with suppliers;
- Investments for R&D;
- Investments for projects of national economic interest;
- Investments for capital investment projects and revenue growth;

-Investments for assets procurements from companies with financial problems.¹⁰⁵

Under the Ministry of Economy announcements – investments for SME's that are to be granted on first come first serve basis for investments in equipment (physical equipment and machines the most) are supported with no more than 10,000 USD;

Identified weakness of the law is absence of more structured and favorable measures towards textile recycling although such concept is highly of European agenda.¹⁰⁶

Banks are not willing to support textile companies and in particular SME textile companies due to high volatility of the textile business, low profit margin and disruptive revenue projections. Unfavorable, all the other above-mentioned sources are demanding pre-investments to be made and cash flow as well as profit on disposal which is hardly case within the textile SME sector that is usually operating with low profit margins.

Still there is an opportunity for SME textile services to develop in three main directions:

- Full capacity use for the LOHN system;
- Start of own brand where higher value added can be obtained;
- Execution of various parts of the production process for other local companies.

Such services can include adding of specific production processes such as garments embroidery, ironing, bleaching, dyeing and washing services mostly.

Many LOHN system producing textile companies in the moment are using outsourcing service among which mostly embroidery services are demanded to be executed by the outsourcing partner.

The project has developed key indicators under which partnerships from the first phase were monitored based on the in-depth analysis of financial statements and management interviews. Three sets of indicators were followed: Financial, Production process and Market position. For the following partner financial incentives were developed on the basis of the equipment donated to the following partner vis a vis obtained services and money paid to the following partner. Below are the results:

¹⁰⁵ Law on financial support of investments article 12 (OG 83/18)

¹⁰⁶Enter, Expert Network on Textile Recycling “*STRATEGIC AGENDA ON TEXTILE WASTE MANAGEMENT AND RECYCLING*, Interreg Central Europe, 2018p 1-5

Table – Indicators for the following partner in the pilot phase from the LMTC/SMTC partnerships developed

Lead Partner	Hendy/Romatex	Bosut	Laura
Financial incentives for following partner			
Years of return of investment	5	5	5
Internal rate of return in %	15	12	10
Net present value on 1 USD invested, in USD returned	6	4	5
Production process incentives for following partner			
Productivity increase in %	20	35	28
Efficiency increase in %	15	18	20
Economization increase in %	9	10	10
	Yes/NO		
Market position indicators			
Better overall image	Yes	Yes	Yes
Contact from new partners	Yes	Yes	Yes

Table – Indicators for the lead partner in the pilot phase from the LMTC/SMTC partnerships developed

Lead Partner	Hendy/Romatex	Bosut	Laura
Financial incentives for lead partner			
Years of return of investment	2	2	2

Internal rate of return in %	4	6	4
Net present value on 1 USD invested, in USD returned	2	2	2
Production process incentives for lead partner			
Productivity increase in %	1	2	2
Efficiency increases in %	1	2	3
Economization increase in %	1	1	1
	Yes/NO		
Market position indicators			
Better overall image	Yes	Yes	Yes
Contact from new partners	/	/	/

Conclusion

Investment in new and modernized technology for Macedonian textile SME's can deliver very high financial results. All categories of the result indicators from the partnerships are positive. That is a clear evidence of the fruitfulness of such partnerships within the sector analyzed.

It was identified that there is a need for better cooperation between companies within the industry especially among large companies from one side and small and medium sized companies from the other side within the investment area of the textile SME'. Such cooperation can result in high returning yields. That is the clear rationale for cooperation incentives to come from the government budget.

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***Rule of Law
& Confronting the
corruption in the Balkans***

CORRUPTION AND ANTI-CORRUPTION

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Abstract

Corruption is a socially unacceptable phenomenon that directly endangers human rights, destroys morality and endangers the stability and economic progress of the state, and thus justice, honesty, equality and security of citizens. It is contrary to positive legal regulations and represents a deviation from fundamental social principles, and the fight against corruption is a basic precondition for the development of a sustainable democratic society.

Corruption is a phenomenon that is not only related to transition and other underdeveloped countries, but is dependent on human behavior in all countries, regardless of economic and political development. It is always an expression of some personal interests of a small group of people that causes citizens' distrust of government and unpredictability in political and economic decision-making and that prevents institutions and economic development and directly harms the state budget. Therefore, it is the obligation of every state to protect its citizens by fighting corruption, to seek their active participation in detection, and to fulfill this role through its legislative, administrative and judicial activities.

The purpose of this paper is to point out the problems caused by corruption in society with emphasis on its direct impact on socio-economic relations and the damage it causes to economic growth and development of a country, and to present some anti-corruption models to fight corruption.

Keywords: corruption, society, protection, socio-economic relations, anti-corruption.

Introduction

On the list of the oldest professions in the world, prostitution is in the first place, of course, espionage is in the second place, while literature puts in the third place dealing with corruption, earning a living through corruption. This activity is as old as the human race, or rather, as much as the political and economic organization of society.

Corruption in primitive tribes is manifested in special services that a member of the tribe makes to tribal leaders, while they in turn give him services of another type, a better position in the hierarchy that brings material or some other benefit. For centuries, emperors and kings did not provide for any salary to pay for administrative services, but considered the service a personal benefit, and income from gifts (robbery and bribery) something that goes without saying. Caesar goes to Gaul not only to subdue the barbarians but also to earn in military service, and the sultan allowed the judges to receive gifts and accordingly bring condemnation.

In the premodern state, it was considered justified to buy public positions, elect officials according to origin or party criteria, apply kadi's justice, and treat citizens as objects of government rather than holders of sovereignty. In Victorian England, Tsarist Russia, Prussia or other organized states, such a system prevailed even in the 19th century.

In the 19th century, corruption and nepotism were considered natural. Corruption was condemned by the public, but less so than sexual immorality. However, condemnation and resistance to political corruption grew over time.

Bribery, nepotism or abuse of public authority cease to be considered normal and functional, they are considered harmful and prohibited.

A system of professional administration, free from political voluntarism, in which selection and promotion are based on the abilities, expertise and impartiality of office holders, in which public services operate according to objective and impersonal rules, under hierarchical supervision, and which work for a specific salary, does not tolerate derogation for personal gain. An incorruptible and professional administration is created, and it leaves the system of protection (England), the spoils system (the United States) or electoral nepotism (the period of the Third Republic in France).

Corruption is a phenomenon related to the development of society that has taken place in all social systems. It is a phenomenon that, according to eminent experts, in today's conditions, takes on large dimensions and appears in all spheres of life.

Many authors argue that corruption is becoming a significant international problem, as are terrorism and organized crime. Corruption as an old and new phenomenon produces huge negative consequences, it makes crime more successful (it strengthens and accelerates), it hinders legal investments, it slows down the overall economic development, it ruthlessly draws state money, and worst of all, corruption is the greatest enemy of democrats. of overall democratic processes, especially in developing countries. Bribery and corruption on a large scale are a death knell for new democracies and a major obstacle to their faster economic development.

Most corruption debates revolve around how serious it is, how to detect it, and what to do with those involved. To this end, many countries have recently been defining their anti-corruption strategy at the highest state level. This is based on the fact that the small number of detected crimes does not reflect the real situation. It is rightly assumed that this number is insignificant because with the current methods it is difficult to detect and prove corrupt activity, especially where government officials of some countries are involved.

Globalization and the economic risk of corruption

The last decade has witnessed a significant shift in the treatment of the phenomenon of corruption, both academically and politically. The available evidence suggests that corruption is a long-standing and relatively constant feature of world political systems. In particular, corruption has emerged from the context of international politics, discussed as a serious social problem that requires united anti-corruption efforts globally. This qualitative change was noted by Glynn, who noted that: Anti-corruption campaigns are nothing new. But this is the first decade that has witnessed the rise of corruption as a truly global political issue that requires a global political response¹⁰⁷.

¹⁰⁷ Ashworth, A. Sentencing and Criminal Justice, Cambridge University Press, Cambridge, 2010.

When corruption is linked to economic globalization, it immediately becomes clear that recent transformations in defining the problem of corruption are related to the cunning of the global economy. From this perspective, it can be said that corruption is an international security problem because it is a source of economic risk and uncertainty for foreign investment and thus contradicts the requirements for a stable market and forecast.

The transformation of socio-economic relations has led to social stratification, with increased unemployment, deteriorating and precarious living conditions and the intention of certain social and political groups and strata to occupy a dominant economic and political position in the newly created social circumstances. All this is necessarily felt in the slow functioning of state bodies and institutions, in disrespect of the law, in the loss of mutual tolerance and manifestation of such activities in which bribery, threats and those models that see profit and enrichment as the dominant actualization of modern values¹⁰⁸.

We often come across the assessments that the presence of accumulated economic problems, unemployment, declining living standards and the pronounced deficit in the area of providing adequate budget funds in those services (which perform very sensitive social functions that require a high level of personal honesty and social trust), leads to a decline in morale of civil and other public servants. Namely, in everyday practice they encounter unjustified and illegal enrichment, they are enormous and unjustified material, and in connection with that with general social differentiation. In their efforts to fight such illegal phenomena as effectively as possible, they face various obstacles that are not only of a legal nature (they can be attributed to the lack of appropriate legislation), but sometimes they face a deliberate and organized association with the holders of such embezzlements and higher bureaucratic structures in the various structural organs of government which indicate widespread symptoms of gaining illegal personal gain, ie corruption in society.¹⁰⁹

The interest of the countries in transition for effective prevention, detection and suppression of corruption is not an isolated phenomenon that is characteristic of this region and of course, at the

¹⁰⁸ Heidenheimer, A., J., Michael, J., eds. Political corruption: Concepts and contexts, Comparative Education Review, 2011.

¹⁰⁹ Ibid.

moment a very specific socio-political and economic area. Our and the international public, with great interest followed the alarming cases of international corruption scandals in which the political leaders and holders of administrative and executive positions of the highest rank of some countries, as well as managers of national and international corporations were involved. It was even a public secret that the practice of corruption is tolerated in cases of foreign trade and financial transactions, especially when it comes to capital investments, procurement of high technology, armaments; appropriation of concessions for exploitation of natural resources, etc. Things are often negotiated to the detriment of the national economy of underdeveloped countries, and by giving commissions, i.e., bribes, to the highest state officials of those countries.

Corruption is a global phenomenon because there is no state or economy, which is immune to various forms of bribery, “influence trading” and other forms of abuse of the special position held by individuals, political parties and public and private corporations. Corruption scandals are not removed from the list of the most current events that have shaken countries, especially since the early 1990s. Turning the public interest to the phenomenology and etiology of corruption has revealed the existence of several determinants, which penetrate into the very social, economic, political, social and cultural fabric. Corruption has been shown to be a symptom of a serious disease of society, the true diagnosis of which points to malignant processes that develop rapidly in the direction of: concentration of functions, wealth and prestige, suppression of democracy and strengthening of undemocratic and autocratic regimes, total erosion on the principle of legality and other basic postulates of the rule of law. It presupposes the expansion of bureaucracy, expressed through increasing administrative control and commercial restrictions, monopolies, nepotism, etc., and behind it all plays a primordial role the materialist conception of gaining as much power and wealth as possible¹¹⁰.

Definition of corruption

Corruption is one of the terms that find it difficult to denote content because its meaning changes in different temporal, social and political contexts. The etymological term corruption comes from

¹¹⁰ Ibid.

the Latin word *rumpere* which literally means breaking, tearing, it is suggested that something is interrupted.¹¹¹

At least two people are involved in the interruption or breaking, there should be two of them for bribery - *cum rumpere*. Something is being done or demolished together, between the bribe-taker and the bribe-giver. Corruption is a concerted operation. In all its power, etymology allows us, at the very beginning, to ask the final question: what is broken in this process? What's breaking? Is it a connection or are they people or is it the state itself? Something will die that may go beyond the formal distinction between bribe-taker and bribe-giver. Something dies together, when one thinks it is interrupted and the other does not know that it is interrupted. Corruption is not death; it is a movement towards death. Bribe-takers and bribe-givers survive in some strange alliance. They are stamping on one deadly pact. A pact without peace. In the absence of the dead, who are rarely physical, judges are looking for this “corruption pact”¹¹².

Etymology, however, does not satisfy the need for a scientific definition of the term because it does not reveal the specific difference between corruption and all other manifestations of corruption, depravity and dishonesty.

It got its name from the Latin term *corruptio*, whose basic meaning is decay, decay, erosion, which sufficiently reflects its harmfulness as a phenomenon. The term itself has multiple meanings and by it, in a broader sense, is meant a lack of honesty and bribery. Although no historical data has been recorded since its inception, it can be safely assumed that it occurred when the first man realized that he could benefit from his position in society¹¹³.

It is a global phenomenon, appearing to a greater or lesser extent in every country in the world, knowing no borders, skin color, race or religious beliefs. It exists and will exist as long as there are individuals and groups willing to use their position in society for profit and as long as there is a position that can be abused for such a purpose. It appears in virtually all sectors of society and

¹¹¹ Jacev, Z., Manual for Prevention of Corruption and Conflict of Interest, State Commission for Prevention of Corruption, Skopje, 2015.

¹¹² Ibid.

¹¹³ Ibid.

the state - in the economy, politics, administration, public, cultural, civic and media life, in religious communities, at central and local levels.

It is difficult to say whether corruption will ever be eradicated, but all the advanced countries in the world are striving to reduce it as much as possible and bring it to limits that will not greatly harm the development of the economy, democracy and social relations.

There are different definitions of corruption that depend on their authors and the time when they occurred and they evolve as corruption develops, but also the scientific thought that defined it. No matter how many definitions there are, they do not differ much and, basically, all come down to the fact that corruption is the exploitation of the position for profit.

Common elements of all definitions of corruption, after which it can be recognized in all its forms, anywhere in the world, are¹¹⁴:

1. Persons who abuse their position

Persons who abuse their position and behave corruptly exist at all levels of society and the state. It is enough for them to have a position that they think they can abuse unnoticed and with impunity in order to benefit themselves or someone else. For understandable reasons, due to the importance of politics and administration in everyday life and the opportunities for abuse that exist in these areas, special attention is paid to officials - holders of political and public office, employees in the administration, at central and local level, as well as in public services.

2. Actions that abuse the position

The actions that abuse the position are different, but can be reduced to two basic categories: first, to do something that, according to the legal regulations and the rules for doing the work must not be done, ie corrupt behavior with active action, such as for example, to award a tender to a company that made a less favorable bid and the second, not to do something that, according to the legal regulations and rules for doing the work, had to be done, ie corrupt behavior by omission, such as an inspector tax service that does not file a tax evasion application and is obliged to do so according to legal regulations.

¹¹⁴ Ashworth, A. Sentencing and Criminal Justice, Cambridge University Press, Cambridge, 2010.

Making a profit from the abuse of position

The benefits of corrupt behavior are not limited to the direct benefit of corrupt people, as they are much more common when they are committed at the expense of their loved ones, such as their relatives, friends, groups of people with whom they are connected - companies or political parties. Although the benefit is usually tangible, expressed in money, valuables, real estate, cars, it can also be intangible - the acquisition of a certain right, securities, service, promotion and the like.

The legislation of the Republic of North Macedonia provides a similar, broad enough and applicable, general definition of corruption in the Law on Prevention of Corruption, where corruption means the use of office, public authority, official duty and position to achieve any benefit for for oneself or for another.

Crimes in the field of corruption

More specifically and in more detail, corrupt behaviors are covered and defined in the Criminal Code, where in the group of crimes against official duty, the following behaviors are sanctioned as corrupt:¹¹⁵

1. Abuse of official position and authority (Article 353)

An official who, by using his official position or authority, by exceeding the limits of his official authority or by failing to perform his official duty, gains for himself or for another benefit or harms another, shall be punished with imprisonment by six months to three years.

2. Accepting a bribe (Article 357)

An official who requests or receives a gift or other benefit or receives a promise of a gift or other benefit, in order to perform within his official authority an official action which he should not perform or not perform an official action which he should have performed. he will be sentenced to one to ten years in prison.

3. Giving a bribe (Article 358)

A person who will give or promise a gift or other benefit to an official in order to perform within his / her official authority an official action that he / she should not perform or not perform an

¹¹⁵ Камбовски, В., Наумов, П., Корупцијата - најголемо зло и закана за правната држава, Скопје, 2002.

official action that he / she should perform or the one who mediates in this case, he will be punished with imprisonment of six months to five years.

Corruption has two sides - the one that seeks, achieves, i.e., receives the benefit and the one that promises, offers, gives, i.e. enables that benefit, because in order for someone to achieve a certain benefit, there must be someone who should give it: one, which gains benefits (corrupt official, his relatives, friends, close company, group or party), the second, which provides benefits (usually a company, but also individuals, groups related to a common interest, etc.).

Because the damage caused by corrupt behavior does not depend only on one of these parties, the responsibility for such an action lies with both parties, regardless of the fact that the penalty for giving a bribe is less than that for receiving a bribe.

Classic bribery exists when a public servant or official, directly or indirectly, by a private or legal entity receives a reward, financial payment, loan, donation, sponsorship or other benefit for him to do or not do something that is in his service. competencies. The benefits gradually evolve from tangible to less tangible or intangible types of benefits. Intangible benefits can be: voting, consent, lobbying, employment, signing contracts, etc. In our criminal legislation, passive bribery is legally defined as a criminal offense “Accepting a bribe” under Article 357 of the Criminal Code of the Republic of North Macedonia, and active bribery is legally defined as a criminal offense “Giving a bribe” in Article 358 of the Criminal Code.¹¹⁶

The essence of the crime of “accepting a bribe” is a certain official to ask for or receive a gift or other benefit in order to perform within his official authority an official action that he should not perform or not perform an official activity that he should perform. The perpetrator of the crime of “accepting bribes” can only be an official or responsible person.

The criminal offense “giving a bribe” under Article 358, provides for liability of the person who will give or promise a gift or other benefit to the official in order to perform within his / her official authority an official action that he / she should not perform or did not perform an official action that he must perform. The perpetrator of the crime of “giving a bribe” can be any person who promises or gives a gift or other benefit, as well as a person who mediates in the bribe. The

¹¹⁶ Ibid.

perpetrator of the crime of “giving a bribe” can be released from punishment, if he gave a bribe at the request of an official or responsible person, and reported the crime before its discovery.¹¹⁷

Receiving a gift can be manifested in different ways, direct taking, giving consent to leave the gift somewhere or to give it to a certain person. A gift means valuables, money, securities, paintings, cars, furniture and other items.

Manifestations of corruption

The ways in which corruption manifests itself are numerous and depend on the space left to the corrupt to benefit from the abuse of their position and sometimes on their creativity. In countries with advanced systems for preventing and combating corruption they are more sophisticated and more difficult to detect, while in those without such a system they are more obvious. It is not easy to classify and separate them from each other because the abuse of office, giving and receiving bribes, nepotism, chronicle, conflict of interest, illegal financing of political parties and all other forms of corrupt behavior are intertwined. But they can all be divided into two basic types of corruption - the so-called “great corruption”, or “state capture”, and “minor” or “administrative corruption”¹¹⁸.

The main feature of great corruption is not the amount of funds that are subject to misuse, but to whom it is harmed. In the so-called “great corruption” from the budgets of the state bodies, the local self-government and the public enterprises is subject to great corruption and the public interest, i.e., the quantity of the delivered public goods to the citizens is damaged. This results in a reduced standard and quality of life of the citizens, ie worse health, education, security, economy and infrastructure.

The most common forms of “great corruption” are the misuse of budget funds in public procurement, tax evasion, customs and other duties, the granting of concessions, licenses, trade contingents etc. The occurrence of inappropriate spending of budget funds and classic abuse of office, expressed through embezzlement, forgery and organized crime, are not uncommon. Carriers of this form of corruption are the middle and upper echelons of the administration.

¹¹⁷ Ibid.

¹¹⁸ Heidenheimer, A., J., Michael, J., eds. Political corruption: Concepts and contexts, Comparative Education Review, 2011.

“Minor” or “administrative corruption” in fact the name itself indicates that it is a corruption where the subject of abuse are smaller amounts of funds, which is basically true when talking about the individual amounts paid for a particular service. However, given the prevalence of this type of corruption, the total amount of assets that are realized as a benefit can compete with large-scale corruption.¹¹⁹

The difference from it is not only in the amount, but also in the source of the funds that are subject to abuse, which in the case of “minor corruption” regularly come from the citizens and from the small and medium business. Most often these are the classic cases of extortion and giving bribes to the state and public administration in order to exercise the rights of the citizens before them or to facilitate the work of small and medium enterprises. Areas where this type of corruption is common are customs, health, police, education, judiciary, local self-government and other institutions with which citizens and small and medium enterprises most often communicate. This form of corruption directly involves the lower and middle classes of the administration, but it also benefits the higher instances of the administration, which receive a certain share to tolerate such behavior of their subordinates. Such a chain causes a high price of corruption and contributes to the extremely difficult realization of the rights of the citizens in the relations with the administration.

Economic consequences of corruption

Corruption is an extremely harmful phenomenon, because it causes negative consequences for virtually every segment of society and the state, and therefore huge efforts are made to prevent it nationally and internationally.

Corruption has negative effects on all areas of life, it is harmful to the economy, democracy, the state and the administrative apparatus, as well as to society and citizens.

In the economy, it undermines the free market and competition, as the basis for any good development of the economy, increases the costs of business because in the price of products and services, as a cost includes bribes. It slows down economic development and is a great enemy of

¹¹⁹ Ibid.

a free-market economy because it creates a layer of privileged firms that unjustifiably have a privileged market position. In short, corruption hinders and destroys a country's economy.

It is also harmful to democracy because it violates the basic right to equality of citizens before the institutions of the system, because it puts in a privileged position those citizens and entities that are willing and able to afford to pay to exercise their right. It negatively affects both the state and the administrative apparatus because it disrupts the proper development of the institutions of the system, their efficient and legal functioning, reduces budget revenues, contributes to its irrational and unproductive use and causes preferential treatment of certain categories of citizens and entities.¹²⁰

In the end, the price of corruption is mostly paid by the citizens who receive less so-called public goods by central and local government, because the greater the corruption, the less opportunities there are to improve the preconditions for a quality life.

Anti-corruption models for fighting corruption

Anti-corruption models stem from the assumption that there are two types of corruption that need to be approached in different ways.

Minor or administrative corruption can be culturally conditioned. Giving a small gift or a small amount of money can be one of the forms of socially acceptable expression of gratitude, or 'lubrication of the wheels. Petty corruption can be fought by preventing and educating it. It can be suppressed by conducting audits in state administration structures.

Great or political corruption can be fought with greater transparency, accountability and prosecution. It can be combated by identifying bottlenecks where internal controls, financial controls, inspections, etc. need to be strengthened. It is also possible to combat it with education - by making it clear that some things are unacceptable. Real professionals do not participate in corruption. Not just because it's a crime but simply because it's about something unethical. Like doctors who take the Hippocratic oath, civil servants have a professional code of ethics that they must adhere to.¹²¹

¹²⁰ Ibid.

¹²¹ Jacev, Z., Manual for Prevention of Corruption and Conflict of Interest, State Commission for Prevention of Corruption, Skopje, 2015.

Great corruption is very difficult to combat through prevention and education because those who participate in it know very well that they are committing a crime. That is why she should only resort to criminal prosecution.

In the fight against corruption in public administration, we use three classic methods that should always be applied and combined, which include prevention, education and prosecution.

Preventing corruption

Preventing corruption is action directed against the causes of corruption. This anti-corruption method is based on a survey of citizens - clients of the state administration - on the satisfaction and quality of public services provided. On the one hand, the preventive role of such a survey is reflected in the fact that officials become aware that their behavior that is not in line with ethical norms, and which is expected of them - will not go unnoticed. On the other hand, there is an increase in citizens' trust in the state administration, because they see the results, ie changes in its functioning.¹²²

Another way to prevent corruption is by reducing administrative regulations and control over economic activity.

Other models of preventing and fighting corruption are related to transparency. Transparency alone does not mean fighting corruption. The fact that everyone knows what is happening in a sector of public administration does not mean that this sector is working properly. To be effective, transparency as a means of fighting corruption needs to be combined with proactive action by citizens and the media and effective prosecution. In other words, anyone who sees something wrong happening should report it to superiors at the state administration, police, or attorney general's office. In such actions, the importance of free, professional media should not be underestimated.

Transparency is also crucial in the fight against a particular type of corruption that the World Bank has called "creating a private state". The fight against this most dangerous model of corruption

¹²² Heidenheimer, A., J., Michael, J., eds. Political corruption: Concepts and contexts, Comparative Education Review, 2011.

includes transparency of public figures' assets, transparency and accountability in the financing of political parties, and very clear rules on conflicts of interest and lobbying.

Education

Education is important as a means of building a sense of professionalism, belonging to a group, awareness of what corruption really is and how it harms what society stands for, how it should be fought, and how each individual can help in that fight. It is crucial to understand that, although individually they cannot solve the problem of theft and robbery, murder and rape, members of society can do much in the fight against corruption.¹²³

Prosecution

Prosecution is the third element in the fight against corruption. Action from within alone is not effective enough to overcome a widespread problem such as corruption.

It is important to show determination, political will that will encourage citizens to help the police and the state attorney's office and to testify in court. Prosecution is the main method for fighting high-level corruption (political or major (or great corruption). One of the important measures of criminal prosecution is the confiscation of illegally acquired property.¹²⁴

Conclusion

Corruption is a great and severe evil with which the state must fight vigorously. The problem of corruption is most effectively solved by developing effective methods of detecting, clarifying and proving these crimes, ie creating factual conditions for the application of the norms of substantive criminal law in this area. The mere prescribing of a range of special incriminations, ie the provision of severe penalties for corruption offenses, is not an effective solution. Such types of interventions in criminal law can only achieve a limited “marketing” effect in relation to the wider uninformed public, which accomplishes nothing significant in terms of effectively combating corruption-related crimes other than wasting energy. The consequences of corruption, ie its economic and social effects, are a serious test for any society.

¹²³ Ibid.

¹²⁴ Ibid.

Corruption produces poverty and a general decline in the economy accompanied by social discontent with regard to democratic development reforms, reducing the effectiveness of the functioning of state government and minimizing citizens' trust in state public service bodies. The problems surrounding the fight against and detection of corruption are very complex and caused by various political, legal, economic and social factors as a whole.

Strengthening the integrity of institutions is increasingly perceived as a key element of sustainable development. Integrity is no longer an end in itself - people understand the importance of introducing ethics and integrity management into the day-to-day practices of all organizations. This enables public services to truly “serve” society, and to be a pillar of stability, reliability and legality.

The fight against corruption is becoming more than a campaign - it is becoming a way for the state to function and a horizontal issue that needs to be taken into account in every country, in every institution and organization.

The growing sensitivity of people requires us to be aware of different approaches to fighting corruption, and the dangers associated with it. It is about trust in society, and without trust no institution, organization or society as a whole can function.

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This issue special:

***Modern tendencies
for the knowledge***

LIBRARIES IN THE FUTURE – THE FUTURE OF LIBRARIES

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Abstract

The importance of the electronic information sources used by the libraries has increased in the era when the libraries are networked and the Internet is used more and more in all areas of communication. Modern libraries are increasingly occupied with the new waves of profound technological, economic, social and cultural changes. The new information and communications technology enabled the libraries not only to control and classify a lot of information, but also to provide access to information, ideas and creative works in any form and regardless of the limits. The libraries of the future will less be a place where information will be kept, and an increasing number of them will be an input through which the users will access to the vast number of information sources throughout the world. In the libraries of the future, more work will be dedicated to the access and management of knowledge, than to possession.

Keywords: libraries, electronic sources, information, e-journals, users.

The Libraries of the Future – Center of the Access and the Management of Knowledge

Modern libraries are increasingly occupied with the new waves of profound technological, economic, social and cultural changes. The new information and communications technology enabled the libraries not only to control and classify a lot of information, but also to provide access to information, ideas and creative works in any form and regardless of the limits. For this purpose, they are completely committed to meeting the needs of their users and to offer them the required information sources and services. The libraries of the future will less be a place where information will be kept, and an increasing number of them will be an input through which the users will access

to the vast number of information sources throughout the world. “In the libraries of the future, more work will be dedicated to the access and management of knowledge, than to possession”¹²⁵

The provision of services by the libraries should be closely related to the maintenance of their quality, especially in the field of information services, promotion of literature and support in the translation of information into knowledge. The information is external, subjective to collection, and lifelong, while the knowledge is internationalized, it is slowly built and it leads towards action (reaction) as an ultimate and rational goal of the knowledge in specific scientific fields.

For the libraries to be able to fully realize their educational, cultural and informational goals, it is essentially important for every library to build its own infrastructure which will provide quick and efficient access to public information, as well as measurement of the information activity in the library itself.

For good functioning and management of the very information centers, the research in any segment of the library activity is increasingly necessary. The measurement parameters in the domain of information include signal, text, time, users and utilization.

For this purpose, the experts are the ones who should constantly conduct research and surveys in order to improve the entire library-information activity. The librarians will be more and more influential if they provide an environment where the society will perceive the libraries as key institutions of the cultural policy where access to information is provided, and where the development of their interpretation is promoted. The common denominator of these important functions of the libraries in the new social and global environment is a creation of knowledge and values in the spirit of intellectual freedoms, and the overall cultural and civilizational contributions. With the expansion of electronic information and communications, and particularly of network information, the required prerequisites were created for the emergence of digital libraries. The term “digital library” cannot be associated only with a simple remote access to the library’s online catalogue, however also with the remote access to the very collections. The digitalization of the

¹²⁵ Nawkivs, B.L.: The unsustainability of the traditional libraries. Bo: Hawkins, B.L. and Battin, P.: The mirage of continuity: reconfiguring academic information resources for the 21st century, Council on Library and Information Resources and Association of American Universities, 1998.

magazines, the books, the visual materials and the archival collections make these sources potentially available to all users in the world, anywhere they are.

The network improvements also changed the manner of communication, the consequence of which would be significant changes in the traditional library structures in order to provide better organization of information and access to information. What characterizes the surrounding where the librarians work now, implies better access to information, higher speed of collection of information, more complex location, analysis and connection of information, permanent changes of technology, lack of standardization of the hardware and the software, permanent training of the users employed in the libraries, as well as significant investments in technology.¹²⁶

E-journals as Sources of Information

In the modern educational process, there is an increasing presence of virtual education which cannot be built without the work and the assistance of libraries, and particularly of virtual i.e., digital libraries. Without the virtual services of the libraries, education today would be inefficient, non-functional and incompatible with the general world trends and tendencies in this important field of the overall social and human life and functioning.

Many journals in the field of natural, social and humanistic sciences are now issued both electronically and in printed version. The electronic forms have many advantages, which cover a remote access and search according to key words, however it is still necessary to point out that the printed form has its values and advantages which will further exist. According to many experts, if you wish to page through a specific book in order to quickly get an insight in its content, the combination of “the eye, the thumb and the printed pages” bring victory over any electronic form. The availability of electronic magazines is becoming an increasingly important category and an imperative for their efficient operation and for promotion of the library-information activity and the scientific-research work in general. The intention of all libraries in this regard (depending on their financial power and the total power of the country) should be the provision of free access to electronic sources, primarily to the university libraries (if not all, at least most of them), as well as

¹²⁶ For more details, see: Greth, S.D. (1996). *the Electronic Library: Slouching Toward the Future or Creating a New Information Environment*. – Follett Lecture Series. Available through the website: <http://www.ukol.ac.uk/seruices/papers/follett/creth/paper.htm1>

for the users of the scientific-technological information. The basic goal is to encourage the creative people and to provide them more intensive scientific-technological progress, however also overall civilizational development.

The libraries should decide to which e-magazines they will subscribe, however in no event they may forget that primarily they are cultural-educational, but also non-profit institutions. The race for profit in no case may overshadow their primary function, that is, their general determination should be perspectiveally directed towards a course according to which the access to electronic journals should be absolutely free for the users.

The free access to information should be provided to the users in order to lead to universal and comprehensive search of the electronic sources, as well as an increased frequency of the users in the newly changed conditions of library operations.

The expansion of electronic information and communications, and particularly of network information created the required conditions for the emergence of digital libraries. The term “digital library” must not be associated only with simple remote access to the library online catalogue, but also remote access to the very collections. The digitalization of journals, books, visual materials and archive collections make these sources potentially available to all users in the world, wherever they are.

The network improvements also changed the manner of communication, the consequence of which would be significant changes in the traditional library structures in order to provide better organization of information and the access to information. What characterizes the surrounding where the librarians work now, implies better access to information, higher speed of collection of information, more complex location, analysis and connection of information, permanent changes of technology, lack of standardization of the hardware and the software, permanent training of the users employees in the libraries, as well as significant investments in technology.¹²⁷

¹²⁷ For more details, see: Greth, S.D. (1996). *the Electronic Library: Slouching Toward the Future or Creating a New Information Environment*. – Follett Lecture Series. Available through the website: <http://www.ukol.ac.uk/seruices/papers/follett/creth/paper.html>

No doubt it is a matter of new, global, library environment where the librarians still struggle to find “their place under the sun”, while these processes are just beginning in the Republic of Macedonia.

The efficiency of the work of libraries and their functioning/action would depend on whether and to what extent they will be integrated in their environment.

This primarily will reflect on the procurement of funds wherewith unobstructed realization of the regular activity of the institution will be provided, that is, a high level of its more intensive development will be provided. With their active action, the librarians would need to have a stronger impact on the change of the public opinion in this direction, and to influence on the politicians and the government as a whole (at all levels) in order to develop more interest about the needs of these institutions in order to successfully keep pace with the most modern world tendencies in the field of librarianship in the new century where science and all civilization benefits are being developed with a vast speed.

For this purpose, a strategic plan with a crystallized clearly determined program would have to be formulated, that is, an “assortment” of services which should be financed with clearly calculated expenses and representation of the “market” to which it is imposed. In such case, it would be more likely to allocate budget funds for such clearly defined needs of the libraries which are facing many new modern challenges. The new modern challenges at a global level inevitably impose the need of new answers to the modern challenges at a national level.

The virtual educational space (the best formulation about the change of the essence of education in this regard) cannot be designed and built without the operation and the assistance from the libraries, both “real” (classic, traditional libraries), as well as the new form of electronic libraries (digital and online libraries). The essence of the electronic libraries does not indicate unconditional (strict) construction only of virtual libraries.

Without the virtual services of the libraries, the total library materials and services would have to be delivered in a conventional way, which would multiply the problems, as well as the inevitable delay and complication for the space and time, which is something that the electronic services are trying to overcome.

According to the previous definition “the virtual educational space” from many aspects is like the “real” educational space.

The difference between the two types of “educational space” refers to the types of communicative exchange and the asynchronicity in time and space, which is being realized in the virtual space. In this regard, the libraries represent this sector, that is, the center of gravity which determine and train the users for the old and the new types of communicative exchanges.

The electronic services of the libraries provide access from a distance at any time for the participants (the users) of the distance and traditional realization. By applying these modern opportunities, precious time is saved which otherwise would be spent for the search of materials and new information, providing time for their absorption. In this context, it is a very important factor of globalization, which is made possible with the electronic services and the virtualization of the libraries. The electronic services provide sound opportunities to the libraries, even to the smallest educational institutions to possess specialized collections or collections at a high level.

For many libraries in the near future, it is logical, pragmatic and inevitable to expect that they will “transform” so that they will base their services on a mixture (combination) of physical items (books, printed periodicals, video tapes, microfilms, etc.), and electronic “things” (“products”) i.e., WEB-pages, information services at a distance, CD-ROMs, etc.).

Due to these inevitable tendencies and trends which will follow and which will strengthen the approaches that will emphasize the importance of the management and the offering of services to the “hybrid libraries”, they will turn out to be the most useful and most meaningful.

Crawford, still arguably proves that “the glorious days of the ones wearing plumage of the overall digitalization (who announced the end of libraries – author’s note) seem to be past”. He emphasizes the “continuously changing mix of combination of the digital and the analog funds”, which he calls “a complex library”.

Most used in the scientific literature in this scientific field is the definition of hybrid libraries by Rusbridge; “The hybrid library should be “designed to bring a range of technologies from different sources together in the context of a working library, and also to begin to explore integrated systems and services in both the electronic and print environments. The hybrid library should integrate the

access to all ... types of sources ... by using different technologies of the digital libraries, and regardless of the media.”¹²⁸

The idea of the hybrid libraries is very important because primarily it is pointed out that in the real world, it is possible and it must be managed with both traditional and digital sources of information. This excludes the wrong antithesis according to which in the library books there is a tendency of pronounced competition between the books and the new technology. Their development must be jointly and mutually complemented, and one should not resist it or deny it. In this regard, we would mention the close parallels between the models of the digital libraries and the main characteristics of the modern libraries, which inevitably arose from the previous fierce disputes related to the traditional understanding of the libraries. All new modern models have a common denominator – the equal importance of information and their integral use, while the design of the process is only a creative model of their practical realization in favor of the ultimate users.

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¹²⁸ Rusbridge, C.: *Towards the Hybrid Library*, D- Lib Magazine,(July – August), 1998, available at http://mirrored.ikoln.ac.uk/lis-journals/dlib/dlib/dlib/july98/rusbridge/07_rusbridge.html (reviewed on 05.05.2005)



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