University American College Skopje

FRIEDRICH EBERT STIFTUNG

9th Annual International Conference on European Integration

THE EUROPE OF TOMORROW: CREATIVE, DIGITAL, INTEGRATED

Skopje, 2014

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University American College Skopje
Treta makedonska brigada 60, 1000 Skopje, Macedonia
www.uacs.edu.mk/conference

For the publisher. Prof. Dr. Marjan Bojadziev, Rector

Partner institution:
Friedrich-Ebert-Stiftung, office Macedonia, www.fes.org.mk
Stine Klapper, Resident representative of FES Macedonia

Ninth annual international academic conference on European integration
THE EUROPE OF TOMORROW: CREATIVE, DIGITAL, INTEGRATED
Skopje, Thursday 15 May 2014

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Design & Layout:
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Cover page design:
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Print: AKS Management Skopje

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The Europe of Tomorrow: Creative, Digital, Integrated

Introduction

Robert C. Hudson, Ivan Dodovski

This volume is made up of a selection of papers originally presented at the 9th international conference on European integration entitled: "The Europe of Tomorrow: Creative, Digital, Integrated" which was held in Skopje on 15 May 2014. The volume seeks to critically address the potential challenges and opportunities for building a stronger European Union which relies on creativity, innovation and digital technologies and considers how the EU should strengthen its basic political values of freedom, solidarity and integration. As such, the papers were written at a time when the member states of the European Union were slowly emerging from the global economic crisis, which had had such a deep impact upon the EU since 2008.

In the background were a number of concerns expressed by individual EU member states, such as how: investment in the cultural and creative sectors could sustain economic growth, employment, innovation and social cohesion; or how Information Technology (IT) and Information and Communication Technologies (ICTs) can contribute to a growth in productivity, jobs and competitiveness, whilst improving social inclusion and helping to reduce the negative impact of the environment and also contribute to the development of democracy. Questions were raised on how cross-border co-operation could foster better integration and good neighbourhood relations. Yet behind these questions lay a more disconcerting backdrop, that of European security. Could it be that Europe was lurching out of an economic crisis into a new Cold War, given the wider implications of the Ukrainian crisis

on EU security in general and its impact on neighbouring European states in particular? Similarly, in the wake of the European financial crisis, the dangers to European security are considered against the backdrop of a dramatic growth in youth unemployment and the concomitant rise of European right-wing extremism. Otherwise, many chapters take into account the political and social challenges to European integration. There are chapters on how we can foster a European education, and several papers focusing on the development of urban space in Europe, and in particular the role that architecture and design can have upon developing a more productive work-place environment. These are some of the issues addressed in this book which are of great importance to those western Balkan countries which are aspiring to become EU member states in the not too distant future. As such our book is made up of twenty-six chapters and divided into five parts. The first part concerns "Political and Social Challenges to Integration". The second part concentrates on "Fostering a European Education". The third part is dedicated to "Urban Creativity Prospects", whilst part four focuses on "Industries and Development", and the fifth part on "Business in the Era of Creativity and Digitalisation".

Part One: Political and Social Challenges to Integration

Concerns about the impact of the Ukrainian crisis on European security are taken up by Robert Hudson in his chapter on "The Ukrainian Crisis, the Crimean Referendum and Security Implications for the European Union". This chapter briefly presents the historical background of the Ukrainian crisis, before focusing on the potential impact of recent events in Crimea and eastern Ukraine on European security in general and the European Union in particular. Hudson questions whether or not the EU really has the appetite for imposing sanctions on Russia given the background of the recent financial crisis and also questions the views of some commentators who would advocate that there has been a steady drift towards a new Cold War, designated by NATO leaders as Cold War II. In this chapter, Hudson also discusses the differences in approach between the EU and the United States in imposing sanctions on Russia, as well as different attitudes between different member states of the EU.

EU regional policy is primarily directed towards overcoming disparities in the economic development of different European regions, given that since the European enlargement of 2007, these economic disparities have deepened significantly, thereby necessitating changes to regional policy legislation. The

second chapter, by Zoran Sapurik, Marko Andonov and Stevo Pendarovski focuses on the challenges presented by EU regional policy legislation. In their research, the authors present a SWOT analysis of the implementation of EU regional policy legislation and highlight the future challenges and perspectives of this process in a bid to initiate a wider debate on the future perspectives of this legislation.

The third chapter in our book focuses on the risks of right wing extremism in the EU and the Western Balkans accentuated by youth employment which has been steadily growing since the onset of the economic crisis. In his chapter "The European Financial Crisis, Youth Employment and the Rise of Right Wing Extremism", Ljupcho Stevkovski considers the dangers of right wing nationalism and religious extremism and their anti-democratic and anti-EU agendas in the run up to a number of European elections in 2014 and 2015. Stevkovski highlights the rise in populist nationalism, hate speech, homophobia and violence against immigrants across the region and explains how these extremist movements might exacerbate conflicts within the Western Balkans, thereby impacting upon the stability and security of both the Western Balkans and the wider region of South Eastern Europe.

New Information and Communication Technologies (ICTS) can enable new ways of participation in democratic and political processes and can affect political society on a global, national and local level. The theme of democracy continues in the fourth chapter by Ganka Cvetanova and Veno Pachovski who have written about "E-democracy Initiatives on a Local Level in the Republic of Macedonia, Estonia and Hungary". In this comparative research project the authors have focused upon an analysis of local government web portals in three different countries which all emerged from communist pasts twenty-five years ago, with weak democratic institutions and a low level of trust in governments, yet a strong commitment to E-democracy. Whilst digital information technology can enhance transparency and greater public participation in the democratic process within European states, one of the biggest problems confronting these processes is the digital divide and inequality of access to digital information, especially when one compares rural with urban communities. The authors therefore provide some recommendations in their chapter for improving E-democracy initiatives at a local level and how to develop their performance in general.

If we consider borders as places for exchange and cooperation instead of as barriers between different peoples and states, then one can see how borders can serve as resources for re-unification and conflict resolution. It is

attitudes such as these which feed into the concept of the Euro region, which has been encouraged by an enlarged European Union, focusing particularly on a decentralisation of power in economic and cultural fields. Marina Andeva takes up this theme of cross-border cooperation in the fifth chapter, by focusing on examples in the Upper Adriatic area and in particular, on cooperation between Goricia, Nova Gorica and Šumpeter-Vrtojba. She argues that borders should be seen as points of interaction and not as limits and visual or imaginary walls. Borders can be used to facilitate and integrate different societies and foster local and regional development. Borders therefore have an enormous potential for the creation of new synergies for growth and innovation, and this is not only attractive for new EU member states but also for EU candidate and potential candidate countries.

Part Two: Fostering European Education

Since its creation in 2010, the European Higher Education Area (EHEA), as a part of the Bologna process, has achieved many successes on the way to the future integration of Europe as a whole in the field of higher education. This theme is taken up by Zlat Milovanovic and Ilijana Petrovska in their chapter on the EHEA and its prospects. The authors consider the background of the EHEA and the Bologna process and its future prospects, with a focus on issues such as the standardisation of degrees and quality assurance. They then turn their attention to higher education in the Republic of Macedonia since 2003 before going on to a survey of good practices in the implementation of the Bologna principles in various European states and beyond. Milovanovic and Petrovska go on to highlight what they have termed the 'mobility conundrum' and internationalisation, by providing recommendations for faster growth of inbound and outbound mobility for students and academics in Higher Educational institutions across the European Union.

The theme of education is developed in the next chapter by Jeremy Cripps and Emil Gjorgov who focus on the accredited European university of tomorrow. The authors demonstrate lessons which they believe could be learned in European higher education institutions by considering the US accreditation process in higher education. They comment on the need for transparency and accountability as well as a consideration of some of the problems faced by all higher education institutions.

How do you make the teaching of English grammar interesting and enjoyable for students using English as a second language? This fascinating last

chapter in our section on fostering a European Education by Marjana Vaneva took this editor straight down memory lane to his early years teaching what was then called English as a Foreign Language (EFL) in Spain in the aftermath of the Franco regime. The chapter deals with teachers' perceptions of the teaching of English grammar, and highlights the old chestnut of how to balance communicative methods with the teaching of grammar. Vaneva makes a comparative study of teachers' opinions and perceptions drawn from colleagues teaching in Slovenia and Macedonia. The author advocates that if the teaching of grammar is properly integrated in the teaching process students can learn to use the English language accurately and speak it fluently. The author concludes from her findings that the teaching of grammar is most effectively taught in authentic, context-based situations by teaching English grammar communicatively, when students are in small groups and actively involved in the learning process, so that grammar rules are not explained as such, but rather elicited from the students and when the students' native language is only used minimally or not at all.

Part Three: Urban Creativity Prospects

Skopje accommodates one third of the total population of the Republic of Macedonia and it accounts for two thirds of the total GDP of the country and for one third of Macedonia's national profit, so it is not surprising that the first three chapters in this section should concentrate on the urban development of Macedonia's capital city, whilst the implementation of EU regional planning in a bid distribute economic growth, employment, innovation and development more equally, is taken up in the fourth chapter and then the last two chapters pay attention to the role of architecture and planning on the cultural aspects and heritage of the country.

In their chapter on "Skopje – The European City of Tomorrow", Minas Bakalčev, Mitko Hadzi Pulja and Saša Tasić outline the changing paradigms of modernization in the twentieth century in the Macedonian capital city. They make comparisons with other iconic European cities, sometimes concluding that there are similarities between different cities and differences within a city when it comes to the morphology of urban space. With reference to Le Corbusier's *The City of Tomorrow* they analyze the progressive prototype of the future city and explore the effects of the modernization processes in the physical structure of Skopje. Their conclusion is that the transformation of the city should be seen as an advantage rather than a disadvantage.

In the chapter entitled "Urban Voids: a Creative Strategy and Spatial Challenges for Cities in Transition", Marija Mano Valevska, Slobodan Velevski and Ognen Marina continue the theme of the city of Skopje by analyzing the urban voids within the city. These urban voids, as unbuilt places within urbanized areas have great potential for development, by being left unbuilt. The chapter focuses upon three urban voids within Skopje and offers ideas for their further use by making comparisons with similar areas within other European cities. The cases of spatial development in Skopje were compared with three spatial strategies for urban voids which have already been carried out within a European metropolitan context in the cities of Pula in Croatia and Horde-Dortmund and Berlin in Germany. The authors comment that due to a socio-political shift, urban transition is particularly noticeable in cities in developing countries such as Macedonia, which means that Skopje represents a valuable and potent resource for the field of urban research. This chapter also analyzes the relationship between the formative narration of the city as represented through planning regulations and the market economy in the socio-spatial system of cities in transition and the existing informal but spatially highly creative potential of urban voids as a dialectical amalgam that bridges public and private interests. Ognen Marina, Alessandro Armando and Slobodan Velevski offer ideas and lessons taken from Turin for the development of an area in Skopje in their chapter on "Urban Strategies for the Future Development of Turin and Skopje: The Economic Crisis and the Effectiveness of Urban Design". The authors focus on the effectiveness of urban plans in the context of developing contemporary European cities. By making a comparison between Skopje and Turin they highlight the possible role of urban design tools and planning, especially diachronic visioning, in the future of the sustainable growth of European urban systems. Although urban plans have proved to be a useful instrument in terms of economic development and physical growth, the crisis in the building sector, brought about by the European economic downturn in recent years has underlined some weaknesses in the approach to urban planning. Whilst the urban plan will continue to be a key instrument in the management of future transformations in European cities, the authors describe new strategies for rethinking the role of the urban plan.

In the twelfth chapter of our book the focus moves away from Skopje which has been in the lime light of spatial development over the past two decades, to issues of decentralization in a bid to develop other parts of Macedonia rather than concentrate solely on developing the capital city. In this

chapter Irina Grcheva, Sasho Blazevski and Maksim Naumovski consider the attempts that have been made to implement EU regional policies in Macedonia as a whole. The authors demonstrate that when it comes to implementing regional planning across the eight regions and eighty-four municipalities of Macedonia, the process has so far been inconsistent, unclear and ultimately unproductive. The authors therefore argue that it is essential for Macedonia to develop a new spatial plan that would stem from the regional, economic, political, social and cultural structure of Macedonia's eight regions if economic growth, employment, innovation and development are to be more evenly distributed across the whole country, rather than concentrated in Skopje alone.

The next chapter by Ljupco Jovanov, Toni Vasic and Jovanka Milenkoska focuses on the evolution of theatrical space by looking at the lesson offered by Adolphe Appia's approach to the design of theatres. The main idea of this approach is to offer better opportunities to engage with the audience by loosening the barriers between spectators and actors. The chapter outlines examples of theatres using these techniques from across the EU and concludes by arguing that both of the theatres analyzed in Macedonia are failing to follow these rules, so Macedonia needs to discover better ways to enable successful, new and open theatrical spaces.

The last chapter in this section deals with the protection of cultural heritage in Italy and Macedonia. Here, Aneta Simovska and Ivan Tranjanoska outline the way in which the national heritage of Italy can be protected by using cultural heritage to generate revenue. This policy can be applied to Macedonia and the conclusion is that Macedonia needs to develop a national strategy for the protection of cultural heritage. The results of the authors' research should contribute to the identification of organizational issues related to the protection of cultural heritage and cultural identity as fundamental values, and the promotion of possible measures which should be undertaken at an international level.

Part Four: Industries and Development

This section of the book opens with a chapter by Geoffrey Pugh on "Public Policy to Promote Innovation by SMEs in Traditional Manufacturing Industries: Policy Transfer from the EU to the Western Balkans" and asks if lessons can be learned from the European Union. Pugh opens his chapter by considering how in the aftermath of political transition, and in some cases the

inter-ethnic conflicts of the 1990s, extreme de-industrialisation took place in the Western Balkans, whilst more recently re-industrialisation has been taking place – an issue which is high on the EU agenda. Pugh explains the enduring importance of traditional manufacturing industry to economic development and considers the importance of innovation for SMEs in traditional manufacturing industry and how public policy can support this, which accounts for a high – and in many EU regions an increasing – share of total employment in manufacturing. In his conclusion the author considers the lessons that may be learned from the EU manufacturing sector and proposes a set of guidelines for more effective development in the Western Balkans. He also suggests that there may well be potential transnational collaboration and for policy in both directions between EU companies and EU-candidate countries in the Western Balkans.

Can the adoption of international financial reporting systems provide commensurate benefits to prospective European countries? Jadranka Mrsik and Ninko Kostovski set out to answer this in the following chapter. Given that standards help to raise the quality of information and the comparability of financial statements, Mrsik and Kostovski argue that the introduction of sound financial reporting could lessen the risk of failure among those companies that would like an international presence. However, they also comment that the dual accounting system represents a burden to such companies. In the meantime, the authors make it clear that an understanding of financial statements is particularly important for the economies of prospective EU countries, because their growth is dependent upon the free movement of capital and extensive direct investments from abroad. In this chapter, they demonstrate the perceptions of Macedonian managers of the International Financial Reporting Standards (IFRS) and they offer recommendations on the further implementation of these standards among EU candidate countries. Their recommendations are that professionals in strategic management, corporate governance and business ethics should be further educated in order to help companies prepare integrated reports as tools for more efficient internationalization.

The next chapter is dedicated to the study of an important question in today's judicial world, namely the emergence and development of 'trust-like' mechanisms in European countries, such as Bulgaria, the Czech Republic and Romania. In this chapter Irina Gvelesiani studies the evolution of newly established institutions and predicts their influence on juridical processes as well as determining their role in their integration into the European juridical

system. Gvelesiani argues that the establishment of these innovative legal institutions came about as a reaction to globalization and internationalization and her comparative analysis demonstrates the major characteristics of innovative 'trust-like' devices in Romania, the Czech Republic and Bulgaria. She concludes that whilst they may not perfectly reflect original western European models, they will nevertheless facilitate integration into the EU legal sphere, thereby increasing the prosperity of Romanian, Czech and Bulgarian juridical-economic systems.

From 'trust-like' mechanisms we move onto issues of professional regulation, as Jadranka Mrsik, Marko Andonov and Kimo Cavdar consider the regulation of licensed industries in small economies. Professional services are on the increase in developing countries and make an important contribution to the economies of the countries concerned, so in this chapter the authors argue that the regulation of professions providing services to the public is necessary if one is to ensure the quality of their services and protect the interests of their customers. The authors analyze three professions in Macedonia – lawyers, accountants and architects and make a comparison with these professions in ten new EU member countries from Central and Eastern Europe. In their analysis, the authors suggest that the practice of regulated professions could be harmonized between the major economies and smaller and more limited markets. They also advocate that the professionalization of these services has to be further improved especially in a global market, thereby creating a reliable services system and enabling an environment for the protection of public interests. They conclude by making recommendations for establishing regulatory systems that will enable the protection of public interests and the development of these professions.

The EU has become the major trading partner for Western Balkan countries, with the share of around 60 per cent of the region's commodity trade. The EU accession process of the Western Balkan countries has therefore been accompanied by a major increase in commodity trade with EU member states. In their chapter on "The Integration of the Industry of the Western Balkans into the EU Internal Market" Aleksandra Branković and Alena Jovičić survey recent trends in the trade of manufactured goods in the Western Balkans by analysing changes in the dynamics and pattern of trade in products in the manufacturing industry between the Western Balkan region and the EU, particularly with regard to changes that have occurred in the wake of the recent global economic crisis. Although there are some exceptions to this, the general trend has been that manufactured exports to the EU have traditionally

been based upon unskilled, labour-intensive and resource intensive products in exchange for more sophisticated products from Western Europe. However, the authors note that since 2009, some more sophisticated products produced in the Western Balkans have managed to gain in importance in terms of exports to the EU, with reference especially, to machinery and transport equipment.

The next chapter by Emilija Tudzarovska-Gjorgjievska deals with the challenges and perspectives of knowledge-based economies. The author considers how the Europe 2020 Strategy was adopted in 2010 as a key strategy for boosting the potential of a 'smart, sustainable and inclusive economy' for Europe in a global, multi-polar world. Her chapter aims to address the key inhibitors to progress in the development of knowledge–based economies and the economic growth of the three Western Balkan and EU candidate countries: Macedonia, Bosnia & Hercegovina and Serbia. These are countries which will have to confront the challenges of globalization and changes in the geopolitics and geo-economics of the twenty-first century. Factors which are inhibiting development in these countries are highlighted by the author and include: low company spending on R&D, insufficient willingness to delegate authority, poor capacity for innovation, insufficient collaboration between universities and industry, and a low level of judicial independence. In her conclusion Tudzarovska-Gjorgjievska offers a few policy recommendations based on the implementation of her comparative research findings. Given that overall, the contribution of technology transfer in the region is limited, the research sector in the Western Balkans may be characterized as lagging in scientific performance. At the end of the day, efforts made by countries to transform their economies and societies in line with EU2020 priorities and goals will require the building of strong partnerships, with strong support for national parliaments and an efficient sharing of experience within the framework of good governance.

Part Five: Business in the Era of Creativity and Digitalization

The motivation and satisfaction of employees has long been a challenge not only to the business sector, but to the academic community as well. In the first chapter in the final section of our book Mishko Ralev, Viktorija Eremeeva Naumoska and Ana Krleska address the importance of the workspace as a factor of job satisfaction by looking at the banking industry in Macedonia. The authors work from the premise that a literature review of the research carried out on EU companies demonstrates that the relationship

between workspace and job satisfaction has been investigated from the aspects of sociology, psychology, management sciences, economics and medicine but that there has been a lack of research carried out in the fields of architecture and interior design. In their conclusion the authors show that their analysis of workspace determinates of job satisfaction, suggests that factors that decreased the attention focus of employees (such as noise and visual disturbances) decreased the level of job satisfaction; while workspace opportunities for formal and informal meetings increased the level of job satisfaction reported by bank employees. Furthermore, these findings are in line with other studies carried out across different industries in Europe.

Information Technology has become a key priority of the twenty-first century, and its transformative power as an enabler for economic and social growth makes it an essential tool for empowering people, creating an environment that nurtures technological and service innovation, and triggers positive changes in business processes as well as in society as a whole. In this chapter Marsida Ashiku and Daniela Gërdani consider the development of ICT and its take up by Albanian businesses. Information technology has become an important element of modern organizations. The aim of using technology has changed a lot over the years. Now it is important not only to improve efficiency but also to improve business efficiency and to manage organizations more strategically, through the use of IT. IT can be used not only to reduce costs, but to add value, as well as sharing benefits with other interested actors, such as customers, suppliers and third parties. The authors conclude that companies in Albania are keen to invest in IT, but that problems arise with employees not having the appropriate skills to use this technology and the authors note that at the moment IT is used less for improving relations with customers or for fronting competition and building competitive advantage. Ultimately, their findings show that Albania is still in the network-development phase, and companies, especially SMEs have not fully implemented IT into everyday jobs. So, a lot of investment will be needed to improve the situation and more needs to be done in trying to expand the use of IT, by making businesses more aware of the advantages of this technology.

Meanwhile, whilst companies across Europe are rapidly computerizing all of their business processes in order to carry out their tasks quicker and with greater ease and efficiency, business processes and activities also need to computerize the knowledge they possess about their potential customers, their needs and requests. In her chapter “The Selection of Knowledge Management Software Applications for Attracting New

Customers" Ana Ristovska shows how the application of knowledge management software can be used as a tool in the process of production and the sales of products that can attract new customers and satisfy their requests. Her research demonstrates that knowledge management software applications can help companies to attract and reach new customers by collecting, storing and processing the customers' information. Also, the process of knowledge management can help create better strategies for working, based on processed information. All of these things will contribute to raising the competitiveness of the companies on the domestic and ultimately, on the European market. Consequently, knowledge management software application should be part of each Macedonian company that wants to be up to date with all market activities and wants to respond to its customers' demands in not only the domestic, but also in the European market.

We now move on to designing the packaging of wine to meet the expectations of new consumers in the next chapter by Toni Vasic and Ilijana Petrovska who have produced a comparative case study of consumer perceptions in Macedonia, Germany and Japan. The object of this research is to see if it is appropriate to design the same branding and packaging for these two countries in Europe, and ultimately for branding a European product on the global market. The authors advocate that developing a packaging design based on the requirements of customers also leads to better communications between consumers and products by creating a long-lasting relationship which will result in better economic results.

The massive expansion of the ICT industry over the past two decades has brought huge changes not only to the European economy, but also to the global economy by transforming these economies from industrial ones to a network or knowledge-based economic systems. Our final chapter by Mishko Ralev, Ana Tomovska-Misoska and Viktorija Eremeeva Naumoska focuses on elements of the workspace as significant factors in creating job satisfaction in the ICT sector in Macedonia. This is posited on the idea that companies which make organizational and structural changes become more efficient and responsive to changing markets; the upshot being that the contemporary workplace not only supports everyday duties and activities, but also supports the sociocultural wellbeing of employees. In other words, corporate investment in job satisfaction, the wellbeing of employees and organizational commitment have become important determinants of organizational success. The authors' findings show that in the ICT sector in Macedonia there is an overall high level of satisfaction with a number of aspects of workspace design

so that the importance of paying close attention to workspace design elements is very important to economic development because these elements are connected to the perception of the workspace as an important aspect of job satisfaction. The importance of involving employees in decision making with regard to workspace design is paramount, which also makes this research important to the development of the Macedonian economy.

At the end of the day the authors and editors believe that this book reflects the intense debate which has arisen across the European Union on the need for increased competitiveness and innovation in a burgeoning knowledge-driven economy. Crucial to this process will be greater transparency, better integration and above all a firm commitment to European security. It is in this spirit that we believe that this book will make a significant contribution not only to European Studies and European Integration Studies, but also to a plethora of related subjects and academic disciplines.

Political and Social Challenges to Integration

The Ukrainian Crisis, the Crimean Referendum and Security Implications for the European Union

Robert C. Hudson

Abstract

The establishment of the European Union as a zone of stability and prosperity in Europe is confronted today with new security challenges. For the first time since the break-up of Yugoslavia and the wars of Yugoslav Transition in the first half of the 1990s, the EU finds itself with an unpredictable neighbour on its borders, which has resorted to the use of military force and continues to influence the territorial integrity of a sovereign state. The issue was over the trans-border Russian population found in Crimea and eastern Ukraine, which at the time of writing raises the question: are trans-border populations to be interpreted as ethnic conflicts waiting to happen? This chapter will briefly investigate the historical background of the Ukrainian crisis, before focussing on the potential impact of these events on European security in general and the security of the European Union in particular. Not only are there differences in approach towards the implementation of sanctions, between the EU and the US, there are also different attitudes to the Ukrainian conundrum held by different member states of the EU. So, does the EU really have the appetite for imposing sanctions given the background of the recent financial crisis and the potential for a devastating tit-for-tat trade war? As members of the OSCE monitoring team have been 4 hostage and western journalists have been arrested on suspicion of spying, this raises a further question: is Europe lurching out of an economic crisis into a new Cold War, which some NATO leaders have already designated as Cold War II? Ultimately, what are the wider implications of the Ukrainian crisis on European security?

Keywords: Security, sanctions, self-determination, national identity, political and ethnic minorities, European integration, consociationalism, cultural politics, trans-border populations, irredentism and Russia's Near Abroad.

Introduction

When I first started putting together a proposal for this conference, I had no idea that I would be dealing with this particular topic. My original submission and abstract had been to assess the potential impact of the Scottish and Catalan referenda on the European Union, then, just after my abstract had been accepted by the Conference Committee at the University American College of Skopje, the situation in the Ukraine took a sudden turn for the worse with the Maidan events in Kiev in February. Of course, the referendum in Crimea was in some way related to my original project. Indeed, in Europe, secessionists in Scotland and Spain's Catalonia might well take some hope from the Crimean secessionist vote, although the Catalan leader Artur Mas was very careful to distance the Catalan referendum which was planned to take place this November from the one held in Crimea in March. Perhaps we should also bear in mind the fact that Spain still has not recognised[1] Kosovo as an independent state. Anyway, over the months I was keeping two files of notes: one on the secessionists in Catalonia and Scotland, and the other on the worsening situation in Ukraine. Eventually, it was the Ukrainian Crisis that dominated my thinking. This was particularly so, given that the threats can go further afield affecting all of Russia's so-called near abroad, from the Baltic States of Estonia, Latvia and Lithuania, south through Belarus to Moldova, Transnistria and on into the Caucasus, with uneasiness felt elsewhere in Europe, especially in Central and Eastern Europe. Events in the Ukraine over the last eight months have posed the most severe challenge to the stability of Europe since the end of the Cold War. Indeed, for the first time since the break-up of Yugoslavia in 1991, the EU finds itself once again with an unpredictable neighbour on its borders, which has resorted to the use of military force and continues to influence the territorial integrity of a sovereign state. This begs the question: has the EU been rash in making Ukraine choose between itself and Russia? Certainly, Russian boldness in assisting Crimea to be detached from Ukraine has not only spread instability across Ukraine, but throughout the region and beyond.

The problem is that dealing with Russia often poses a problem, given that Russia does not always seem to fulfil its obligations. On 17 April the US, Russia, the EU and Ukraine met in Geneva in a bid to find a settlement to the present crisis. They signed an agreement that planned for the disarmament of illegal armed groups and the evacuation of occupied buildings. In spite of this, 40,000 Russian troops gathered on the Russian-Ukrainian border (Deloy, 2014).

Then the G-7 members produced a memorandum at the European Commission in Brussels on 26 April 2014, in which they commented that:

> Russia has taken no concrete actions in support of the Geneva Accord. It has not publicly supported the accord, nor condemned the acts of pro-separatists seeking to destabilise Ukraine, nor called on armed militants to leave peacefully the government buildings they've occupied and put down their arms. Instead it has continued to escalate tensions by increasingly concerning rhetoric and ongoing threatening military manoeuvres on Ukraine's borders.

It was this that led to further sanctions on Russia as the G-7 strongly condemned Russia's "illegal attempt" to annex Crimea and Sevastopol.

Six weeks later, on 5 June, at the G7 meeting in Brussels, the G7 urged Russia to begin talks with newly elected Prime Minister Petro Poroshenko in Kiev (Schofield, 2014). European Commission President Jose Manuel Barroso added that the G7 was united in sending a "resolute message" to Russia that it should: "recognise and fully engage with" the new Ukrainian authorities, adding that Russia should: "take concrete and credible measures to de-escalate the situation in the east of Ukraine" (ibid.).

Ultimately, at the time of writing, the worst case scenario is the fear of inter-ethnic conflict breaking out along the lines of the intra-ethnic conflicts that were witnessed in parts of the 'former'-Yugoslavia in the first half of the 1990s. Certainly, on my return from the Skopje conference, there would be an escalation of violent activities in Ukraine, witnessing the loss of lives on a daily basis, and in particular, the downing of a Ukrainian military aircraft resulting in the deaths of 49 Ukrainian military personnel near Luhansk, on 29 May. It should also be noted that the writing of this chapter predates the MH17 disaster of 17 July 2014, when a Malaysia Airlines Boeing 777 was shot down by a BUK surface-to-air missile over Hrabove, near Torez in the Donetsk Oblast of the Donbass region of eastern Ukraine, only forty miles from the Russian border. MH17 was shot down over territory controlled by pro- Russia separatists on a flight from Schiphol Airport, Amsterdam to Kuala Lumpur with the loss of all its 298 passengers and 15 crew.

Given the inter-ethnic conflict in the eastern Ukraine over the summer, it might be that one potential solution to the Ukrainian crisis, might be the creation of a federation along consociationalist lines, though it should be recognised that transmogrifying Ukraine into a federation is the Russian choice, and not necessarily that of the international community in the West. Furthermore, the problem with federalisation, apart from the fact that it

interferes with the sovereignty of an existing state is that federalisation would lead to a disguised partitioning of the country in which the regions of western Ukraine would fall under the tutelage of the West and those of the east would be under Russian control.

Historical Background

From the perspective of contemporary history, the dispute over eastern Ukrainian space can be traced back to the first half of the nineteenth century, with the in-migration of Russian soldiers, bureaucrats and merchants from the Russian Empire, who settled in the Ukraine on land to the east of the River Dnieper (Cordell and Wolf, 2000, p. 701). Indeed, the Russian Empire had already gained the right bank of the River Dnieper as a result of the second partition of Poland in 1793, by the Holy Alliance powers (Russia, Austria and Prussia) and some historians have actually argued that the Second Partition (though not the Third) could be justified on both ethnic and historic grounds, given that these areas in the Ukraine had formerly been part of Kievan Rus, the original medieval Russian state (Channon and Hudson, 1995, pp. 48-49). Though it must be emphasised that it is not the aim of this chapter to trace the conflicting histories of the current crisis back to the medieval Kievan Rus state that had dominated the region from the tenth century through to the Tatar invasions in the middle of the 13th century, as this would in all events be an ahistorical representation of the problem. This would be rather like claiming that the current cultural and political tensions between Greece and Macedonia could be traced directly back to the time of Alexander the Great, which again is essentially an ahistorical argument. In addition to the annexation and Russian settlement of eastern Ukraine, it should also be noted that Crimea was formerly annexed by Russia in 1783, following two victories over the Ottoman Empire and a short-lived period of Crimean independence (1774 – 1783).

'In both the tsarist and communist periods, Russian identity was inextricably linked to the Russian State' (King, 2010, p. 139) and the expansion of both empires across Eastern Europe and Euroasia. During the period of Russian industrialisation in the last two decades of the nineteenth century, a new wave of Russian immigrants settled in the Ukraine. These were industrial workers and miners who were attracted by higher wages to the Donbas coal mining region and Kryvvi Rih (Krivoy Rog) and the urban areas of the region became increasingly Russified and Russophone (Cordell and Wolf, 2000, p. 701). This tied in with Tsarist policies of aggressive Russification in the late

nineteenth and early twentieth centuries at a time when Russification meant that Russian became the language of social advancement and that national languages were not officially recognised (Channon and Hudson, 1995, p. 81). Russification would be bolstered by Russian Orthodoxy, particularly to the detriment of the Jewish population settlement in the 'Pale' of the western Ukraine and Russian Polish territories, resulting in pogroms and the Jewish diaspora to Western Europe and America. Furthermore, Russification would result in an increasing number of Russophone Ukrainians. Indeed, by 1897, only 22 per cent of the population of Kiev could claim Ukrainian as their mother tongue and this percentage continued to drop before the October Revolution, whilst in Odessa, the Ukrainian population had dropped to less than 3 per cent (Cordell and Wolf, 2000, p. 701).

Ukrainian independence was not realised at the time of the Bolshevik Revolution and Civil War, despite the influence of the Hetman and Petlura and the harrying of White Russian forces, led by Denikin and Wrangel, as they retreated in a southerly direction through the Ukraine to the Crimean ports and exile in 1921 and after. Stalin and his successors privileged Russians and Russophone Ukrainians and indeed it had been Stalin's eventual successor, Khrushchev, himself a Russophone Ukrainian who had been in charge of the region during the terror and the famine in the 1930s. Ukraine suffered terribly during the Second World War, becoming the main theatre of military operations on the Eastern Front and subject to the concomitant war crimes committed against its population by all sides and factions.

Let us fast forward. Before the break-up of the Soviet Union in 1991, 11.3 million Russians lived in Ukraine, out of a total population of 51.4 million. In other words, the Russian minority population of Ukraine constituted 22 per cent of the total population of that country. Furthermore, whilst about 11 million ethnic Ukrainians are believed to speak Russian as their mother tongue with Russian settlement being particularly concentrated in eastern Ukraine and Crimea, there is a significant Russian presence in central Ukraine, with just small pockets of Russian settlement in western Ukraine (Cordell and Wolf, 2000, p. 702). Since Ukraine gained its independence in 2001, it is this which has led to the simplified view of the Ukraine as being a cleft state with the western parts looking to NATO and the European Union and the eastern parts and Crimea looking to Russia.

At the end of the Cold War there was a lack of out-migration of the ethnic Russian population in the Ukraine in contrast to other post-Soviet states. The sudden collapse of the Soviet system in 1991 had a profound effect

on the Russian populations in the region, a group supposedly numbering 25 million people outside the Russian Federation and this has led Charles King to comment on how the Russians went from being: "the privileged bearers of modernity in a backward periphery to often becoming unwelcome colons caught in the centre of movements of national resistance and national renaissance" (King, 2010, p. 139). Whilst much research has been conducted on the Russian ethnic populations in the Baltic States in the 1990s - see, for example the conferences held on the Baltic Sea Area and Barents Area by the University of Umeå, 1997 and The University of Roveniemi, 1999 and their subsequent publications (e.g. Falk, & Krantz, 2000 and Nystén-Haarala, 2002) - rather less was published on the situation in Crimea and Ukraine, where the focus was more on what would happen to the Black Sea fleet, which was disputed between Moscow and Kiev. The exception to this case, perhaps being western reactions to the crazed antics of Vladimir Zhirinovski and his 'near abroad' rhetoric (Frazer & Lancelle, 1994). King also notes how the growth of an anti-Soviet political movement inside the Russian Federation, saw the identity between the Russian Federation and the Russian nation as being interlinked to the exclusion of those Russified settlers in the non-Russian republics, who were therefore excluded. As Russia began to reassert itself after the disastrous 1990s, we witnessed, under the leadership of Vladimir Putin, Russia's intervention in Georgia in 2008 whereby Moscow attempted to protect groups that enjoyed Russian citizenship, though not, as King points out, Russian ethnicity (King, 2010, p. 137). That the West did nothing, and indeed could not do anything, was significant and has repercussions to this day, alongside the West's inability to respond to the continuing crisis in Syria. This might explain why Putin would appear to be such a risk-taker who is prepared to push matters to the brink, before reining back.

Szun Ping Chan (2014), writing in the *Sunday Telegraph*, has made an interesting appraisal of Putin's relations with the West:

> Putin's first term as president between 2000 and 2004 saw him embark on a charm offensive, wooing world leaders from Tony Blair to George W. Bush. It was not until the 2004 Orange Revolution in Ukraine that relations began to sour. Putin blamed the civil unrest on Western influence, but the deaths of Alexander Litvinenko, a fugitive officer of the Russian FSB secret service in 2006, and Sergei Magnitsky, a Russian accountant, in 2009, have only made a strained relationship more difficult.

What is interesting here, is that once again, even as early as 2004, the West is blamed by Russia for tensions in Ukraine.

Although Ukraine has been an independent sovereign state since 1991, the more recent Russian military 'presence' in Crimea can be traced back to agreements made between the Russian and Ukrainian governments over the partitioning of the Black Sea Fleet in 1997. This meant a continued Russian naval presence in Crimea, so that, as of 2013, approximately 13,000 Russian naval personnel were based in Crimea under the 1997 Partition Treaty on the Status and Conditions of the Black Sea Fleet (HRW, 2014). Then, there followed the appearance of the 'polite green men' – mysterious armed soldiers without insignia – who took control over the Crimean peninsula in the lead up to the 'referendum' on the Status of Crimea in March, although the Russians continuously denied their involvement (Gorbunova, 2014). Indeed, it is interesting to note that Gorbunova's reference to "Green men" is a reference to those movie aliens "who appear from nowhere" (ibid.) and how apposite this was given their silent, yet anonymous appearance on our television screens, at the time. In spite of this, Human Rights Watch had reported the presence of military vehicles and other equipment that the Ukrainian forces are not known to possess (HRW, 2014).

Human Rights Watch went on to refer to international law, pointing out that under the 1949 Geneva Conventions, a territory is considered 'occupied' when it comes under the control or authority of foreign armed forces, whether partially or entirely, without the consent of the domestic government. HRW goes on to add that "the reasons or motives that lead to the occupation or are the basis for continued occupation are irrelevant" (HRW, 2014). Furthermore, wherever Russian forces exercise effective control of an area on Ukrainian Territory, such as Crimea, for the purposes of international humanitarian law it is an occupying power and must adhere to its obligations as such. Russia's denials that its troops are in Crimea have no legal effect if the facts on the ground demonstrate otherwise.

Then on 16 March, Crimea's local authorities held a referendum on whether or not Crimea should secede from Ukraine to join the Russian Federation, with 97 percent of the population voting to join Russia. On 8 March, President Putin and Crimea's leadership signed agreements making Crimea and the city of Sevastopol part of the Russian Federation. Following which, Putin's approval ratings have approached an all time high (Gorbunova, 2014).

Language and Ethnicity: The Writing on the Wall

Russia had been advocating the federalisation of Ukraine for some time, which would grant more power to the Russian-speaking regions of the country's east. Obviously such a policy was unacceptable to the Ukrainian interim government, which came into office on the fall of President Yanukovych, in February. On 20 March, the Ukrainian parliament adopted a resolution which stated that: "Ukraine will fight for the liberation of Crimea whose annexation to Russia it will never acknowledge" (Deloy, 2014).

This writer first realised the way things would go in the Crimea on Sunday afternoon, 23 February, when watching the BBC twenty-four hours news channel s rolling banner announced that the new interim Ukrainian parliament was setting out to curtail Russian language rights. It became immediately clear that the situation was going to deteriorate, particularly when this was associated with the Ukrainian parliament repealing the law on minority languages, whereby a minority of more than 10 per cent had no language rights at all. Within a week, Crimea had been 'invaded' by Russia, allegedly in defence of Russian minority rights. I use inverted commas, because Russian troops had already been there – in the guise of those highly disciplined 'green gentlemen' in uniforms without any insignia, although further troops had been flown in from Russia. The date of the 'invasion', Thursday 27 February 2014 was highly significant, because Crimea had been seceded to Ukraine exactly sixty years previously on 27 February 1954, having been incorporated within Russia exactly 500 years earlier, in 1654.

At the heart of the matter lay the issue of language rights. Indeed, this provided the very spark for the unilateral declaration of independence in Crimea in March 2014 as it continues to fuel the crisis in eastern Ukraine to this day. The real issue here is that: "Languages, or speech varieties, do not just involve the process of oral and literary communication between individuals and communities; they also form an essential part of our sense of identity, in terms of class, gender, community, 'blood' and belonging" (Hudson, 2000, p. 243). In other words, languages, when mobilised for political purposes can become a major resort to the rhetoric of nationalism and the process of self-determination, for languages are not just about communicating with others, they are intertwined with the desire for social advancement and the legitimisation of a community's culture and history. This in turn means that if one language group sees itself as being suppressed by the domination of another language group, it will of necessity react against that group.

Ultimately, the languages we speak are about our own sense of identity, community and purpose, whereby being obliged to speak the language of a dominant group can become a violently-charged symbol of un-freedom. By contrast, speaking one's own language is about one's own salvation as both an individual and a member of a community, and ultimately membership of a nation.

The EU and Ukraine

Once Crimea had effectively declared unilateral independence from Ukraine and it looked as though pro-Russia factions in Eastern Ukraine would begin to initiate a further process of separation from the Ukrainian state, alarm bells really began to ring in the West. Of particular note here was the EU's response to the crisis, on the understanding that: "What happens in the countries in Eastern Europe and the Southern Caucasus matters to the EU. As the EU has expanded, these countries have become closer neighbours, and their security, stability and prosperity increasingly affect the EU's" (EU-EEAS, 2014, April 25). So the crisis in Crimea and eastern Ukraine is very important to the EU as it affects its external relations, its security and its economy. Ukraine is now part of the EU's Eastern Partnership (2014 – 2017), and certainly, the EU has been trying to get ever closer to Ukraine since Yanukovych was ousted.

The intention of Ukraine to develop relations with the EU with a view to eventual European integration had first been announced by the Ukrainian parliament in July 1993 and more recently the EU saw Ukraine as a country of considerable importance within the framework of its European Neighbourhood Policy, which had been initially launched in 2004. In July 2008, it was announced that a 'Stabilisation and Association' type of agreement would be signed between Ukraine and the European Union. However, in 2011 Catherine Ashton, the EU High Representative for Foreign Affairs announced that although talks would continue, the ratification process of the treaty could face problems if nothing was done about the seven-year imprisonment of former Prime Minister Yulia Tymoshenko. However, once Yanukovych was ousted from power, Tymoshenko was released and the treaty between the EU and Ukraine was signed on 21 March 2014. It is said that when Yanukovych was in power, he had refused to sign this agreement because, he was under pressure from Russia, Ukraine's largest trading partner to associate with the Russian-led customs union between Belarus, Kazakhstan and Russia. This was part of Russia's continuing Near Abroad Policy. So, at the end of the day, the main

political and economic causes of the whole problem centred on Yanuchkovych's refusal to get closer to the EU, opting instead for a pro-Russian alternative.

The agreement between the EU and Ukraine commits Ukraine to converge its economic, financial and judicial policies and reforms with those of the EU. Also, both parties are committed to the promotion of the EU's Common Security and Defence Policy and European Defence Agency policies. Of interest here is the text of the *EU-Ukraine Association Agenda to prepare and facilitate the implementation of the Association Agreement* as endorsed by the EU-Ukrainian Cooperation Council at Luxembourg on 24th June 2013. Article 2.1 reads:

> The Parties agree to maintain dialogue and to cooperate to strengthen respect for democratic principles, the rule of law and good governance, human rights and fundamental freedoms, including the rights of persons belonging to national minorities as enshrined in the core UN and Council of Europe Conventions and protocols.

There were, however other concerns for the EU member states, namely concerns over Russia's role in supplying the EU with gas and oil and the implications of those supplies being curtailed by Russia, should the crisis deepen.

Energy Concerns

Energy security has now become a major issue in Europe, and from an EU perspective, the idea is that member states should no longer be so dependent on Russia for gas. This concern serves to reinforce Europe's desire to improve energy efficiency. Today, Russia is the world's largest exporter of energy. Trade between the EU and Russia has grown exponentially so that Russia has become the EU's largest trading partner and Russia's biggest customer (Szu Ping Chan, 2014). Whilst within Europe, the UK buys about 6 per cent of its gas from Russia. Germany, by contrast, has become Russia's largest trading partner in energy supplies, and relies on Russia for half of its oil and 40 per cent of its gas supplies, half of which flow through Ukraine. However, given the ongoing crisis in Ukraine and the move to impose sanctions on trade with Russia, the potential for energy sanctions could impact even more heavily on the Baltic States, Finland, Slovakia and Bulgaria, as these countries are 100 per cent dependent upon gas from Russia's state-owned energy company,

Gazprom (ibid.). Italy, by contrast, has access to an alternative pipe line – the South Stream pipeline – that avoids transiting the Ukraine altogether.

Furthermore, around 60% of the gas used in Ukraine comes from Russia, of which 65 million cubic metres of gas are transported towards the EU via Ukrainian gas pipelines. Yet, because of the $3.5 billion gas bills unpaid by Ukraine, Russia has been threatening to cut off its gas supply to Ukraine. This is not the first time that gas supplies to Ukraine, and by implication to other European countries which have been cut off by Russia. There had been two previous occasions in January 2006 and January 2009, when 18 European countries were affected. Meanwhile, the G7, meeting in Rome was looking for a united approach so that nobody could threaten EU energy supplies. So, as an energy super-power, Russia is ready and willing to use energy as a weapon, thereby transmogrifying Gazprom into the Kremlin's biggest potential weapon against Ukraine when it comes to the interested partners imposing sanctions upon each other.

Meanwhile, the EU has since announced a special support package for Ukraine worth €365 million to help the country's transition and boost the role of civil society, as well as promoting and monitoring democratic reforms and inclusive socio-economic development (EU – EEAS, 2014, April 29). As energy impacts upon European security, so it also affects the Ukrainian economy and we will be dealing with this issue in the next section.

The Ukrainian Economy

Linked to the issue of energy is the Ukrainian economy, and Christine Lagarde, the Managing Director and Chair of the IMF has remarked that: "Deep seated vulnerabilities – together with political shocks – have led to a major crisis in Ukraine. The economy is in recession, fiscal balances have deteriorated, and the financial sector is under significant stress" (2014). In order to ease this economic stress, the EU has offered a support package of €365, whilst the IMF approved a two-year stand-by arrangement for Ukraine to the tune of US$ 17.1 billion, with an immediate disbursement for US$ 3.19 billion. The upshot is that money is being pumped into the Ukrainian economy from the EU and the United States alike in a bid to resolve the gas debt problems with Russia's Gazprom, to reduce corruption and money laundering, and to improve the business environment and growth in Ukraine. Yet, the risks to this programme are high because of the continuing tensions with Russia.

Sanctions?

Because there are different attitudes towards the Ukrainian crisis between different member states of the EU, this has led to some commentators wondering if the EU really has the stomach to impose sanctions on Russia (Traynor, 2014). This comes in the light of the recent financial crisis in the West in general and the Euro Zone in particular, and the potential for a devastating tit-for-tat trade war between Russia and the EU and the US. On top of this, it is painfully obvious that there is a disparity between the attitudes of the EU as a whole, and those of the United States in particular, in their approach to the Ukrainian conundrum. Indeed, it is very interesting, now, to survey some of the economic journalism of the past six months to see just how attitudes differ.

Furthermore, differences in approach towards the implementation of sanctions, between the EU and the US, do not help to create the picture of a solid and united front in presenting western opposition to the Putin regime. It is as though divergent western responses to the current crisis in the Ukraine and Crimea are imbricated on the rather feeble western responses to the crisis in Syria that have been represented over the past three years, which must have made it clear to Putin that the West was divided, thereby empowering him even further in his brinkmanship vis-à-vis his Near Abroad ambitions.

Ian Traynor commented in *The Guardian*, on 26 April meeting of the G-7 that the threats to move to broader, more co-ordinated sanctions were empty, adding that: “There is no stomach for such moves in Europe because the result would be a devastating trade war that would damage a weak European economy” (Traynor, 2014). Traynor goes on to add that: “The Russians know this. Besides, Putin is a risk-taker, Obama, Merkel and Hollande are risk-averse leaders, with 12 times more trade and investment at stake than the Americans and, unlike the US, EU member states are quite dependent on Siberian energy supplies.” So, Russian brinkmanship would seem to be the order of the day, leading some analysts to believe that slowly, but surely we are entering into a scenario that represents the Cold War that ended twenty-five years ago; hence the references to ‘Cold War II’. Yet this said, in this writer’s opinion, along with the opinions of other historians, such as Robert Service and Orlando Figes, although there has been an obvious deterioration in relations between Russia and the West, this is nothing like the Cold War climate experienced throughout the second half of the twentieth century.

By contrast, Jennifer Rankin (2014), again writing in *The Guardian* presents the American case arguing that: "Slapping a sanctions order on a Russian bank would turn it into an economic pariah." And she quotes Juan Zarate, a former deputy national security advisor in the United States, who commented that: "Cutting off some of their major institutions, or even oligarchs and their networks, you have the ripple effect of the European private sector deciding that they are not going to do business with the entities." So, such a move could prove to be devastating for the Russian economy: "which is more dependent on the dollar than almost any other emerging market, with almost 90% of Russia's exports being traded in dollars." Rankin then cites Chris Weafer, a Moscow-based consultant, who commented that: "The worst-case scenario is a military incursion leading to these tougher sanctions. The reality of being cut out of the western banking system is that you go into recession."

But, there is an alternative view to all this rather bullish American attitude, for example, should a tit-for-tat sanctions war take place, Russia, in turn could really hurt western carmakers and aerospace companies, given that a company such as Boeing "plans to buy $18 billion of Siberian titanium in the coming years" (Rankin, 2014).

It would seem that the real problem is that if sanctions were to be imposed upon Russia, this would drastically increase energy prices and EU countries could risk slipping back into the recession which they are just beginning to emerge from. Ultimately, the relationship between the EU and Russia is a symbiotic one, and for the time being, both political entities clearly need each other. As Francisco Blanch at the Bank of America Meryll Lynch put it: "It's not like the EU can sanction Russia and hurt it without hurting itself. And vice versa" (Szu Ping Chan, 2014).

The tit-for-tat nature of sanctions and the potential for a real deterioration in relations between Russia and the EU and the United States since the occupation of Crimea was well illustrated for me on the day I flew from London to Skopje to deliver my paper at this year's conference, with the news that Russia was casting doubt on the long-term future of the international space station, which had been a showcase of post-Cold War co-operation. This was in retaliation for the announcement of further sanctions the previous day. Furthermore, this threat also included suspending the operation of GPS satellite navigation systems on Russian territory from June, in response to Washington's plans to deny export licences for hi-tech items that could help the Russian military.

If British, German and EU rhetoric is more toned down than the US rhetoric, given Obama and Kerry's statements at the beginning of March that sanctions would not only incur costs, but also that Russia would be knocked out of the G8 (as indeed it was) and that the G8 meeting would not take place in Sochi (as indeed happened), it is because the EU partners are more concerned about Russia actually invading eastern Ukraine and the potential migration into the EU of refugees. Given that Europe, not the United States would become the ultimate destination of any potential mass migration from Ukraine. This also comes at a time when the EU has to face criticism from anti-EU public opinion and some political parties of certain EU member states advocating secession from the EU or at least an EU referendum.

Obama claims that: "The goal is to change his calculus with respect to how the current actions that he is engaging in could have an adverse impact on the Russian economy over the long haul" (BBC News, 2014, April 28). But, who is to say that if we get tit-for-tat sanctions this would not exacerbate the situation further, whereby the big fear would be that the sanctions which have been made so far are too weak to stop Russian interference in the eastern Ukraine, but enough to provoke it, and as it emerges from the economic crisis that started in 2008, the very last thing that the EU needs is a trade war with Russia.

Whilst it would appear that Gazprom provides Russia with its biggest weapon so far in its conflict with Ukraine, it is also worth acknowledging that sanctions against it would seriously damage Russia's own weakened economy. This could lead to an economic crisis for Russia, which in turn could lead to broader opposition against Putin who is currently basking in his renewed popularity for his actions over Crimea. Nevertheless, Russia is an energy super power, and certainly has the reserves to withstand such a crisis. In other words, it is the EU which is more likely to be affected if the flow of gas were to be suspended, given that a third of its gas comes from Russia, via Ukraine. The only salvation might be the South Stream route which bypasses Ukraine and is currently being used by Italy. Also, with the development of fracking in the United States, there is the potential for the US to ship greater supplies of gas to Europe in the not too distant future.

Ukraine and NATO

The basic mood of the West has been that of trying to democratise Ukraine, build civil society and free it from corruption and money laundering as has been demonstrated by funding made available from the EU and the IMF, thereby enabling greater economic, social and political security in the country and its neighbourhood. NATO has only sought to build on this by working towards greater military security in the region.

Ukraine first entered into relations with NATO in 1994 by signing up to the Partnership for Peace (PfP) programme. Then in January 2008, Ukraine became a candidate to join the NATO Membership Action Plan (MAP). However when President Yanukovych came to power in 2010, these plans for full Ukrainian entry into NATO were put on hold by the Ukrainian government, although Ukraine continued its cooperation with NATO with Ukrainian forces continuing to serve in Afghanistan as they had served in Kosovo and Bosnia previously. However, more recently, since Russia's illegal intervention in Crimea, NATO and Ukraine have agreed to increase their cooperation as NATO has reiterated its: "full support for the sovereignty and territorial integrity of Ukraine within its internationally recognised borders" (NATO's relations with Ukraine, 1 May 2014) thereby fulfilling the fundamental points made in the 1997 Charter on Distinctive Parnership that established the NATO-Ukraine Commission (NUC), whereby: "A sovereign, independent and stable Ukraine, firmly committed to democracy and the rule of law, is key to Euro-Atlantic security." The other concern is for other parts of Russia's so-called 'Near Abroad', particularly the security of the Baltic States and Poland. To this extent the US has sent 600 troops to Poland and the Baltic states (BBC News, 2014, April 29) alongside plans for a $1 billion fund to increase military deployment to Europe in a bid to reassure its NATO allies in the region (Marcus, 2014). President Barrack Obama commented: "Our commitment to Poland's security as well as the security of our allies in Central and Eastern Europe is the cornerstone of our security and it is sacrosanct." But, this should not imply a return to the Cold War (ibid.) despite the rhetoric of General Anders Fogh Rasmussen (NATO Secretary General) who commented that the events in Ukraine were a 'wake-up call' and that the Alliance now faced a new security situation in Europe (ibid.). Despite this awareness of the security implications in the region, nobody in NATO, not even the Americans, has the appetite or the resources for a major European defence build-up (ibid.). In the meantime,

since May 2014, NATO has enhanced its air-policing duties in the Baltic States, Poland and Romania.

On the down side, all these actions and the strong rhetoric have led Russia to voice its own concerns over what it interprets as being an 'unprecedented' increase in US and NATO military activity near the Russian borders. Having NATO on its borders has been Russia's greatest security fear over the last twenty-five years. In the meantime, Rasmussen has insisted that the alliance has not noticed a Russian pullback of forces from the Ukrainian border as President Putin had claimed. Whilst the RFE/RL Research Report (7 May) comments that Russian defence officials had claimed that the Russian army had been firing Topol intercontinental ballistic missiles from a test site in Plesetsk, whilst the Russian navy had fired several shorter-range missiles from submarines in Russia's Northern and Pacific fleets, as the aircraft carrier 'Admiral Kuznetsov' had entered the English Channel. All of which only serves to escalate the claims that we are returning to the Cold War or Cold War II. Indeed, in the two months following the delivery of this paper in Skopje, Russia would be conducting what would be designated as a 'hybrid conflict', seeping troops, weapons and supplies across the Russian border with eastern Ukraine. Witness the appalling disaster of a Russian BUK rocket launcher shooting down flight MH17 with the loss of all innocent life on board.

Could the OSCE Have Helped Defuse the Ukrainian Crisis?

The OSCE is the only regional security organisation with Russia, Ukraine, the EU countries and the US as members and so, potentially, it could have taken a lead role in defusing the Ukrainian crisis. In March it took the decision to send international monitors to Ukraine to 'reduce tensions and foster peace, stability and security.' Yet, eight of its members were held by pro-Russia supporters in eastern Ukraine, though later released, partly as a result of Russian intervention. Yet, even in spite of this, the OSCE could have provided solutions to the problem, as Ukraine was sliding towards more serious armed conflict; if for no other reason than that all the interested parties are member states of the OSCE. The fact that Russia had intervened in the release of the monitors, captured by pro-Russia separatists was in itself significant and demonstrated how much Russia recognises the importance of the OSCE, going back to the Helsinki agreements of 1995. Yet, the OSCE had failed in its mission and cannot, for the time being, be considered as a key player in defusing the crisis.

Conclusions

Crimea has been lost to Ukraine. It is unlikely that much can be done about changing the current state of Crimea, at least not for the time being. There are historical, irredentist, ethno-cultural and linguistic reasons for this situation. Meanwhile, eastern Ukraine represents yet another trans-border population crisis that had long been waiting to happen, as it descended into inter-ethnic conflict during the summer of 2014. It is clear that the Ukrainian Army alone is too weak on its own to take on the Pro-Russia separatists with Russian military backing. A ceasefire at least, and accepting that parts of Ukraine have already gone might be the best way forward in terms of maintaining peace, stability and security in the region, and indeed, even further afield. Whilst this author would not advocate appeasement as the ideal solution to the Ukrainian conundrum, it would nevertheless seem to be extremely perilous if NATO or a divided West were to offer military support to Ukraine, were Ukraine to eventually commit its forces to reclaiming the Crimea. Any western support to potential Ukrainian military initiatives runs the risk of leading to an escalation of tension and to further Russian military intervention in the region. Were Ukraine to gain full membership of NATO it would mean that all NATO member states would be obliged to support any other NATO member state attacked by an outside power, along the lines of 'All for one, and one for all!' This last concern is well-grounded, if one considers that on 20 March the Ukrainian parliament had adopted a resolution which stated that: "Ukraine will fight for the liberation of Crimea whose annexation to Russia it will never acknowledge" (Deloy, 2014).

Meanwhile, NATO should maintain its air policing activities in the Baltic States to ensure the security of the wider region and to allay fears and reassure the respective populations. Certainly the OSCE has achieved little in this affair and for the time being has little significant role to play in eastern Ukraine and Crimea. So, the big fear at the time of writing is a further escalation in the tit-for-tat sanctions dispute and a further deterioration in East-West relations.

All sides need to tone down the rhetoric and posturing. The main need is to open up a dialogue and to talk with each other, rather than exclude Russia from international negotiations and agreements. Indeed, it may well have been a mistake to exclude Russia from the G-8 talks in March. Dialogue is the only way forward and far more desirable than sabre rattling or squabbles over sanctions. The fact that Putin had called for pro-Russia rebels to delay the

referendum that was held in eastern Ukraine on Sunday 11 May 2014 was in itself indicative of the fact that the Kremlin might be prepared to put a stop to any further slide into civil war and bring the defeated parties back to some form of 'national dialogue' as had been proposed by the Geneva Agreement, back in April. But, the last thing the international community needs is another 'Cold War' or worse. Politicians need to stop the wild rhetoric, stop the threat of sanctions, be inclusive and open up the dialogue, not only with the Russian government, but with the pro-Russia separatists as well. It might well be that Ukraine needs a new constitution of a federal kind, which emphasises specific rights for the Russian language population in its eastern parts.

Recognising the major internal divisions that exist in Ukraine along ethnic, linguistic and religious lines, the EU should be more pro-active in its desire to enable consultation and power-sharing amongst the different communities of that state, even to the extent of putting diplomatic pressure on the Kiev government to negotiate with the pro-Russia separatists. Furthermore, in a bid to avoid violence and ensure democracy and governmental stability, a consociationalist approach might seem to provide the best solution to the Ukrainian conundrum. Hopefully, in an eventual process towards negotiations between the different parties, and in a bid to draw up a new constitutional framework for Ukraine, the participants would be able to draw on the more recent European experiences of consociationalism in Spain (1978), Belgium (1993), Bosnia and Herzegovina (1995) and Macedonia (2001).

Although there are potentially very grave consequences lurking behind European energy security, energy concerns alone are not sufficient enough for the West to announce its participation in a new Cold War. At the end of the day it would be naïve, in this author's opinion to talk of Cold War II or of a new Cold War. Russia and the West are too dependent upon each other to allow for that and no serious politician would desire a return to the 'bad old days' of MAD (Mutually Assured Destruction). Nevertheless, in misquoted deference to Shakespeare's *Richard III*, it might well be that we are slowly, but surely entering into a new winter of mutual discontent.

Endnotes

[1] This will now take place as an unofficial vote on independence, as the Spanish Constitutional Court has declared the planned referendum to be illegal according to articles in the 1978 Spanish Constitution which prevent any of the seventeen autonomous regions from making unilateral decisions that would affect all Spanish citizens

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Challenges to the Perspectives of New European Union Regional Policy Legislation

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Abstract

The contemporary European Union is a decentralized community. The Union's regional policy has a long tradition, which is shaped by common EU legislation. EU regional policy is primarily directed towards overcoming disparities in the economic development of various regions, which has a strong impact on the equalization of the whole EU. Funding for the development of various regions has been constantly increasing. In 2006-2013, 347 billion Euros were allocated to the various regions. EU policy is very dynamic and it is being continuously upgraded. Since enlargement in 2004 and 2007, the transformation of regional policy has become unavoidable because the economic disparities have significantly deepened. Bigger disparities have caused the need for changes in EU regional policy legislation. Most recently, in December 2014, a package of new legislation was adopted, with which a new legal framework was established. It is aimed at providing for a more efficient and effective management of the ERDF, ESF and CH. The new legislation is faced with the numerous of challenges. The goal has been to produce a further simplification of procedures related to regional policy, to strengthen the links of all regional projects with energy efficiency and environmental matters and to enable a more comprehensive use of the economic potential of various regions. This will require stronger cooperation between the EU, the member states, and the regions. The main aim of this chapter is to analyze the new EU regional policy legislation and to highlight its future challenges and perspectives. The paper also includes a SWOT analysis of the potential for the implementation of the new legislation, so as to determine the obstacles and potential for the further strengthening of regional policy. This paper also aims at initializing a wider debate about the future perspectives of this legislation.

Keywords: EU, legislation, cohesion, regional policy, economy, disparities.

Introduction

The importance of regional policy has been growing permanently. The Union of the regions is not only a syntagma, it is also a reality and one of the key elements of EU cohesion. Any disparities between the regions serve only to endanger the functioning and cohesion of the Union's single market and the Union as a whole. The less developed regions have handicaps such as an undeveloped infrastructure, high levels of unemployment, a deficiency in technologies, low levels of energy efficiency, and environmental protection. These handicaps impede the development of EU cohesion. EU regional policy is shaped by the common legal framework. The commitment of the EU to the implementation of regional policy can be recognized in the Treaty on European Union and the Treaty on the functioning of the European Union which both have a constitutional significance. The Treaty on European Union defines economic and social cohesion as a fundamental objective of the Union (Treaty on the EU, 2010). The Treaty on the functioning of the EU determines the activities that are aimed at reducing the disparities between the levels of development of the various regions (Treaty on the functioning, 2010). This Treaty promotes financial instruments for reducing disparities and stipulates financial funds as one of the most important pillars for the performance of regional policy. Without strong financial support for the less developed regions, it is not possible to implement a common regional policy. The Treaty of Rome (Rome Treaty, 1957) does not anticipate the common regional policy. The Single European Act (Single European Act, 1986) makes the first significant steps in the mitigation of regional disparities. The Treaty of Maastricht (Maastricht Treaty, 1992) sets clear rules for a more coherent regional policy. Since then, EU regional policy has been continuously strengthened. Most recently in December 2014, a new package of EU regional policy legislation was adopted. The new legislation faces a number of challenges in establishing a system which will significantly contribute towards the further mitigation of regional imbalances. This increases the importance of the research and debates related to this new legislation, especially considering that there is not yet a practical example of the implementation of projects according to this legislation.

EU Regional Policy and Legislation in the 2007-2014

EU regional policy includes a number of key components, of which the most important are the economic, social, legal, and political ones. The reduction of disparities between the member states and the regions is only mad possible with the use of effective financial instruments. In the period 2007-2013, 347 billion Euros were allocated towards the stimulation of regional development (Mathijesen, 2010). The Treaty on the functioning of the EU ensures that the Union will support the cohesion policy including a reduction in the economic disparities between various regions, by actions taken through the structural funds and cohesion funds. The most important funds are the European Regional Development Fund (ERDF), the European Social (ESF) and the Cohesion Fund (CH).

Since 2002, the European Commission has been conducting in depth analyses of the implementation of common regional policy in its progress reports on cohesion. The First progress report (Progress report, 2002) established the directions for the future activities of regional policy. The historic enlargement from 2004, expanding the EU from 15 to 25 member states intensified regional disparities, thereby signaling the need for further reforms. The Third progress report on cohesion (Progress report 2005) underlined that in all new member states GDP per head was below 90% of the EU 25 average, while it was less than half in many member states. In the new member states, 90% of the population lived in regions where GDP per head of population was below 75% of the average, while in the old 15 member states, this concerned only 13%. It clearly demonstrated the differences in regional development and the need for focusing on the problems of unemployment in the less developed regions. At the end of the day the objective of the Union's cohesion policy meant more than just the redistribution of funds to the poorest member states and regions (Mousis, 2006). This also covered a set of complex activities by the EU, member states, and regions. However these funds have a crucial importance for the enforcement of EU regional policy. Eight progress reports on economic, social and territorial cohesion adopted in June 2013, reaffirmed the need for the reforming of regional policy (Progress report 2013). This report was adopted during the final negotiations of cohesion policy for the period 2014-2020. It underlines that future cohesion should ensure that regional investment funds will contribute to overcoming the impact of the crisis and combating unemployment. The unemployment rate increased from 7 % to 10% between 2008 and 2012 which mainly affects

the less developed member states and regions. It was a call for urgent change in regional policy legislation.

The fact that there is not as yet a practical example of the implementation of any projects in accordance with the new legislation produces a need to comment on the legislation of 2007-2013. The basic elements of the financial instruments of EU regional policy for the period 2007-2013 are stipulated in the regulations on laying down general provisions on the ERDF, the ESF and CF (Regulation 1083/2006). This regulation sets general provisions for the ERDF and ESF, which are specified as the structural funds, and the Cohesion Fund (CF). It is of great importance because it establishes a core framework for regional funds and the criteria for using these funds. The Regulation promotes the strengthening of the economic and social cohesion of the enlarged Union. The ERDF has been reformed several times since 1975 when it was first established. The Regulation underlines that the ERDF makes a significant contribution to the development of the regions by financing productive investments in the different spheres (Regulation 1080/2006). It provides an important role in solving economic, environmental, and social problems in various urban and rural areas through the ERDF. The basic rules for the functioning of the ESF are determined in the Regulation on the ESF (Regulation 1081/2006). The Regulation sets the tasks of the ESF and underlines that it is aimed at contributions for strengthening economic and social cohesion by improving employment, productivity at work, social inclusion and a reduction in national, regional and local employment disparities. The operating of a CF for the 2007-2013 period is stipulated in the Regulation on CF. (Regulation 1084/2006). The main goal of this Fund is to support the enhancement of the economic and social cohesion of the Union in the interests of promoting sustainable development). The Fund supports projects in the sphere of infrastructure, especially transport networks, public transport and clean urban transport, environment, energy efficiency and renewable energy. This shows the significance of regional funds, as the financial instruments aimed at reducing disparities between the regions. As mentioned above the EU budget allocated to regional policy for the period 2007-2013, amounts to 347 billion Euros, which is approximately 35% of the EU budget. Overall regional investments in 2007-2013 were used: 201 billion Euros through the ERDF, 76 billion Euros through ESF, and 70 billion Euros through the CF. The regional investment used for the 2007-2014 in the different areas is displayed in the table below. It demonstrates the diversity of areas supported by regional funds.

Table 1 Distribution of EU Regional policy instruments for 2007-2013 (European Commission – Eurostat 2014)

Sector	Financial asset in billion Euro	Percentage
Innovation	83.28	24
Transport	76.34	22
Human resources	76.34	22
Environment	65.93	19
European Territorial cooperation	8.68	2.5
Others	36.43	10.5
Total	347	100

New European Union Regional Policy Legislation

The EU Strategy - Europe 2020, for smart, sustainable and inclusive growth, from 2010, determines the priorities that should lie at the heart of Europe 2020: smart growth developing and an economy based on knowledge and innovation; sustainable growth, promoting more efficiency of resources and a greener and more competitive economy; and, high employment and a strengthening of economic, social and territorial cohesion (EU Strategy 2020). The Cohesion of the EU together with the regional funds is defined as a key delivery mechanism for achieving the priorities of the Strategy. It clearly demonstrates the strong determination for the further strengthening of regional policy.

The seventh progress report of the European Commission was amended by the Eighth progress report (2013). It is very important in this part of the chapter to underline that the documents mentioned above deeply analyze current regional policy. These strategic documents make serious

efforts for establishing the new possibilities for stronger cohesion and provoking changes in the legal regulation.

More recently the EU has adopted new regional policy legislation. The most important part of this legislation is made up of: Regulations on common provisions for the ERDF, the ESF, the CH, the European Agriculture Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), (Regulation 1303/2013); Regulations for the ERDF with specific provisions concerning investment in growth and jobs (Regulation 1301/2013); Regulation for the ESF (Regulation 1304/2013); Regulations on specific provisions for the support for the European territorial cooperation goal (Regulation 1299/2013) and Regulations on the CF (Regulation 1300/2013). Just before the beginning of the practical enforcement of these processes, there are great expectations that this legislation will contribute to the further strengthening of regional policy.

Regulation 1299/2013 establishes the scope of the ERDF relating to the goal of territorial cooperation. It regulates the priority objectives and criteria for using the resources of the funds. It makes efforts to ensure the effective implementation of regional projects. According to the projections for the Regulation of resources for European territorial cooperation the goal of 2.75% of total global resources available from the ERDF, ESF and CF for the period 2014-2020 should be achieved. Indicators for the achievement of the goals are defined in the annex of the Regulations. These include: productive investment in enterprises; a growth in employment in supported enterprise; the total length in kilometers of newly built and reconstructed roads and railway lines that is required; the total length of new or improved tram and metro lines; an increase in the number of visits to supported sites of cultural and natural heritage; additional waste recycling capacity; improved water supplies and wastewater treatment; the total surface area of rehabilitated land; the surface area of habitats supporting a better conservation status; the number of new research projects on supported entities; additional capacity for the production of renewable energy; the number of households with improved energy consumption, a reduction in green house gases and other indicators. These indicators will give an opportunity for a more objective measuring of the achievement of the projected goals, which was one of the main weaknesses of the previous regional policy.

Regulation 1300/2013 determines the tasks of the CF and sets out the investment priorities, which are: the development of a low carbon economy, the promotion of renewable energy and energy efficiency, climate change

adaptation, the preservation and protection of the environment, sustainable transport and the enhancement of the institutional capacity of public authorities. This Regulation stipulates that regions whose GDP per capita for the 2007–2013 period, was less than 75% of the average GDP of the EU 25 would be considered as transitional regions. It also lays down the common rules applicable to the ERDF, the ESF, the CF Fund, the EAFRD and the EMFF, which operate under a common framework (the "European Structural and Investment Funds" - ESI Funds). This should ensure the effectiveness of these funds and their better coordination with the other financial instruments of the European Union.

Regulation 1301/2013 stipulates that the ERDF will contribute to the financing of the projects which aim to reinforce economic, social and territorial cohesion by redressing the main regional imbalances of the EU, through sustainable development and the structural adjustment of regional economies, including the conversion of declining industrial regions. The Regulation introduces a new determination in regional policy legislation, by promoting the rule, that at least 80% of total ERDF resources at national level in the more developed regions will be allocated to two or more of the thematic objectives which include: the strengthening of research, technological development and innovation; enhancing access to the use and quality of information technology; supporting a low carbon economy, and climate change adaptation.

Regulation 1304/2013 establishes the main tasks of the ESF. This includes tackling youth employment and promoting high levels of employment and job quality; whilst at the same time paving the way for an improvement in access to labor markets, and providing support for the mobility of workers and their adaptation to industrial change, alongside creating high levels of education, combating poverty, furthering social inclusion, and ensuring gender equality and equal opportunities. At least 20% of the total ESF resources in each member state will be allocated to the thematic objective of promoting social inclusion, and combating poverty and discrimination.

The new EU regional policy legislation promotes a number of reforms and a simplification in the management of regional funds. It stipulates lighter procedures and is aimed at reaching rational new goals in regional policy. This legislation makes serious efforts in providing greater flexibility in the management of regional funds and better harmonization in the operation of different funds that is one of it's strongest points. The new legislation also

introduces a simplification in the auditing of projects. Our prediction is that the harmonization of the rules for different funds will contribute to a stronger concentration of financial and human resources in the EU, amongst member states and at a regional level. The member states and regions have more possibilities to choosing the most favorable options for the implementation and management of projects, which will enhance the role of regions in both the design and enforcement of common regional policy. The new legislation sets the general principles which should make a significant additional contribution to the implementation of the EU 2020 main goals.

Challenges to the Reformed European Union Regional Policy Legislation

The reformed European Union regional policy legislation sets a very ambitious agenda. One of the most important reforms is concerned with simplifying the management of regional funds. It should ensure a more efficient and effective distribution of regional funds and a reduction of administrative procedures at national, regional and EU levels. This legislation is faced with a challenge aimed at enabling the use of a better combination of EU regional financial instruments with the other reforms of support, such as grants, loans, national contributions, budget investments, and public/private partnerships. The practical implementation of that legislation is a hard and serious task and it has to meet the specific needs of member states and the various regions. Establishing a system for the efficient coordination of EU, member states and regional financial instruments is a big challenge for the practical enforcement of the new legislation.

The new legislation provides a challenge to the EU Strategy 2020 targets: by 2020, 75 % of the population aged between 20 and 64 should be employed; 3% of the EU's GDP should be invested in research and development and the "20/20/20" climate/energy targets; the number of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree whilst 20 million people less should be at risk of poverty. It will be a hard task considering the diversity in the development of all the member states and the various regions, and the effects of the slow down in economic growth. Also any increase in the levels of education should be not followed by any reduction in educational quality.

The reformed legislation is aimed at a stronger contribution in regional policy to sustainable growth in the period 2014-2020. The regional

policy is aimed at investing in more sustainable growth with an emphasis on resource efficiency and a low carbon and environmentally friendly economy, by strengthening the application of the principles of sustainable development in operational programs. It is related to the programs for investment in renewable energy and energy efficiency depending on regional energy potential. This necessitates a respect for variety of conditions in the regions. It is important to underline that in the future the regions will play an important role in achieving the EU 20 – 20 – 20 energy targets, determined and specified in the Directive on energy efficiency (Directive 2012/27). The reformed regional policy and legislation is confronted with the challenge of enabling a stronger orientation of funds to the development of skills and research, the creation of productive and environmentally friendly green jobs, job creation, and numerous activities associated with the reduction of unemployment. The real implementation of labor mobility is also a big challenge, taking into account big differences in development inside the EU and the fact that in a number of developed member states the level of unemployment is still rising. This very often produces resistance among different groups in these states to workers migrating from other states.

According to the multi-annual EU financial framework projection, which is the EU budget framework for the years 2014-2020 (Regulation 1311/2013), from the total amount of 960 billion Euros, approximately 370 billion Euros will be invested in the EU regions. The support for small and medium sized enterprises, arising from the European Development fund will be doubled from 70 billion Euros in 2007-2013, to 140 billion Euros, which demonstrates the determination to invest more in a real economy. It aims toward the creation of new jobs and mitigates unemployment as one of the biggest problems in the EU. The reformed policy has the task of implementing the obligations of member states and regions to announce what objectives they plan to achieve and to determine the indicators for measuring progress towards the projected goals. It therefore creates preconditions for the extensive public debate and transparency in the decision making process.

Country	Cohesion Fund	Less Developed Regions	Transition Regions	More Developed Regions	Outermost and northern sparsely populated regions	European Territorial Cooperation		Youth Employment Initiative (additional allocation)	Total
						Cross-Border Cooperation	Transnational Cooperation		
BE	-	-	1.039,7	938,6	-	219,0	44,2	42,4	2.283,9
BG	2.278,3	5.089,3	-	-	-	134,2	31,5	55,2	7.588,4
CZ	6.258,9	15.282,5	-	88,2	-	296,7	43,0	13,6	21.982,9
DK	-	-	71,4	255,1	-	204,2	22,7	-	553,4
DE	-	-	9.771,5	8.498,0	-	626,7	338,7	-	19.234,9
EE	1.073,3	2.461,2	-	-	-	49,9	5,5	-	3.590,0
IE	-	-	-	951,6	-	150,5	18,3	68,1	1.188,6
EL	3.250,2	7.034,2	2.306,1	2.528,2	-	185,3	46,4	171,5	15.521,9
ES	-	2.040,4	13.399,5	11.074,4	484,1	430,0	187,6	943,5	28.559,5
FR	-	3.407,8	4.253,3	6.348,5	443,3	824,7	264,6	310,2	15.852,5
HR	2.559,5	5.837,5	-	-	-	127,8	18,3	66,2	8.609,4
IT	-	22.324,6	1.102,0	7.692,2	-	890,0	246,7	567,5	32.823,0
CY	269,5	-	-	421,8	-	29,5	3,3	11,6	735,6
LV	1.349,4	3.039,8	-	-	-	84,3	9,3	29,0	4.511,8
LT	2.048,9	4.628,7	-	-	-	99,9	13,9	31,8	6.823,1
LU	-	-	-	39,6	-	18,2	2,0	-	59,7
HU	6.025,4	15.005,2	-	463,7	-	320,4	41,4	49,8	21.905,9
MT	217,7	-	490,2	-	-	15,3	1,7	-	725,0
NL	-	-	-	1.014,6	-	321,8	67,9	-	1.404,3
AT	-	-	72,3	906,0	-	222,9	34,4	-	1.235,6
PL	23.208,0	51.163,6	-	2.242,4	-	543,2	157,3	252,4	77.567,0
PT	2.861,7	16.671,2	257,6	1.275,5	115,7	78,6	43,8	160,8	21.465,0
RO	6.935,0	15.058,8	-	441,3	-	364,0	88,7	106,0	22.993,8
SI	895,4	1.260,0	-	847,3	-	54,5	8,4	9,2	3.074,8
SK	4.168,3	9.483,7	-	44,2	-	201,1	22,3	72,2	13.991,7
FI	-	-	-	999,1	305,3	139,4	21,9	-	1.465,8
SE	-	-	-	1.512,4	206,9	304,2	38,1	44,2	2.105,8
UK	-	2.383,2	2.617,4	5.767,6	-	612,3	253,3	206,1	11.839,9
Interregional cooperation									571,6
Urban innovative actions									371,9
Technical assistance									1.217,6
EU28	**63.399,7**	**182.171,8**	**35.381,1**	**54.350,5**	**1.555,4**	**7.548,4**	**2.075,0**	**3.211,2**	**351.854,2**

Table 2 Projections of total EU allocations of Cohesion Policy 2014-2020 (million €, current prices)

The figures in table 2 demonstrate the diversity of spheres, that EU funds will be supporting in the period of 2014-2020. The amount for the less developed regions is over three times greater than for the more developed ones, which in our opinion is still not enough. The funding for investment in

the real economy and in urban areas is significantly greater than in 2007–2013. The rest of the projected figures amount to up to 370 billion euro, which will be allocated in the near future.

The **SWOT** analysis of the new regional policy and its legislation made for the purposes of this paper shows strong points, weak points, opportunities and threats for the further enforcement of the reformed EU regional policy and its legislation. This analysis is performed with the aim of determining the potential for the implementation of new regional policy legislation, so as to determine the obstacles to a further strengthening of EU regional policy.

The main **strong points** of the reformed EU policy are: compliance with the EU 2020 Strategy; financial potentials for supporting regional policy, the prioritization of the green economy with a high level of environmental standards; energy efficiency and the prioritization of the concept of sustainable development, that will improve the quality of life of EU citizens and will contribute to the development of new green technologies; a stronger coordination of the regional funds with the other various EU, national and regional financial instruments; the establishing of a legal base for the better coordination of EU institutions and member states and regional institutions; and, the determination of measurable indicators and more investments in a real economy.

The main **weak points** resulting from the SWOT analysis are: the short period for the beginning of the practical implementation of the new legislation – it was adopted on the end of 2013; insufficient funds for combating the problem of youth unemployment; a shortage of resources for cross border cooperation and the still high level of financing for the more developed regions, which reduces the possibility of funding the less developed regions.

The **opportunities** resulting from the SWOT analysis are: more flexibility in the management of different funds; the determination of conditions for labor market liberalization; the capacity building of the regional administration and all stakeholders and commitments involved in this; additional education and new qualifications for the labor force and the establishing of measurable indicators which will enable the evaluation of the realization of projects and a commitment to gender equality and social inclusion.

The **threats** demonstrated by the SWOT analysis are: large disparities in the development of member states and various regions; the low level of administrative capacities in a number regions; the economic crisis and reduced economic growth; high levels of unemployment in member states; resistance by some interest groups in many member states to workers from other

states; and the rapid increase in the number of highly educated people without any precise analysis of the needs of the real economy, which could produce a decline in the real quality of education.

The SWOT analysis shows that the new regional policy and its legislation have the potential for establishing a new base for strengthening EU regional policy. However, this analysis also shows the threats and the challenges that may arise in the future with regard to solving a number of problems concerning the successful implementation of regional policy in 2014–2020, which will depend on the achievement of the projected goals in different spheres.

Conclusion

EU regional policy has a long tradition. The EU has been acting continuously in the direction of strengthening its regional policy, as an important part of EU cohesion. The main instruments for the financial support of the regional policy are the regional funds, especially the ERDF, ESF and CH, which significantly contribute to a reduction of regional disparities. The new legislation that has been recently adopted, as a legal base opens new possibilities for reforms in regional policy. This legislation promotes more flexibility in the operation of the regional funds and provides an opportunity for better coordination between the regional funds and other financial instruments. It also provides a simplification of the procedure and numerous innovations which should enable further investments in the spheres of transport, communication, energy, environment, and in other spheres as well. All stipulated measures are aimed at reducing the differences in the development of various regions and in contributing to the creation of new sustainable jobs.

At the same time this legislation is faced with a number of threats which could slow down regional development, that produces the need for further permanent activities. The new regional policy legislation is also confronted with numerous of challenges which are related to the fulfillment of the goals of the EU 2020 strategies. In our opinion, in spite of some obstacles and threats the EU should continue to strengthen its cohesion and the EU is on the right path to mitigating regional imbalances. However, we strongly believe that the support for the developed regions should be carefully allocated in order to open more opportunities for the undeveloped regions.

The SWOT analysis confirms the potentials and opportunities of the new regional policy legislation to tackle future challenges. Furthermore, we expect that this paper will encourage further research of the most recently adopted regional policy legislation.

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The European Financial Crisis, Youth Unemployment and the Rise of Right-Wing Extremism

Ljupcho Stevkovski

Abstract

This chapter focuses on the effects of the economic crisis in the European Union and the potential threats to the Western Balkans, brought about by right-wing extremism. The key point of this research is based on the hypothesis that the rise of right-wing extremism in the European Union is a direct result of the rise in unemployment, especially among the young, which is one of the long term effects of the economic crisis. This growth of right-wing extremism in the EU will inevitably have a negative impact on the stability and security of the Western Balkans and the wider region of South-eastern Europe. Concomitant with the emergence of the economic crisis have been the prolonged and deepened negative effects, such as a fall in living standards, rising unemployment, and a lack of prospects for young people. This has resulted in a new generation of nationalists and right-wing opponents of liberal democracy who have come to the fore in the Balkans. These people are trying to win power, on national programs with an anti-European orientation. Characteristic of all right-wing extremist movements are the policies of the protection of national identity, populism, hate speech, homophobia, violence against immigrants and people of different faiths, calls for the homogenization of the nation, and calling on a higher level of morality. The impact of right-wing extremist groups usually increases before and during the elections when the established political parties easily resort to populist and nationalist rhetoric in order to win as many votes as possible. Many of them operate under the spiritual and financial auspices of radical domestic religious communities. Although being marginal groups, the danger arises from their exclusivity, with membership mostly drawn from young people who can easily resort to the use of violent methods. The gap between different ethnicities and religions is on the increase. Political parties are becoming tools of political socialization, rather than advocating the stability and prosperity of citizens, and are the main actors in the separation of citizens in all lines.

Keywords: European economic crisis, Western Balkan, youth unemployment, right-wing extremism, populism, nationalism.

Introduction

First of all this chapter will deal with the current situation of the EU's economic crisis and the problem of youth unemployment. For this purpose, this chapter is based on the unemployment rate across the EU27 and, more importantly, the unemployment rate among young people as one of the key facilitators for endangering the security and stability of the EU and the Western Balkans. The key point of this research is to diagnose the occurrence of right-wing extremism as a serious threat to security and stability associated with the emergence and growth of the economic crisis. The analysis proceeds even further by analyzing the context of the appearance and activity of right-wing extremism upon the discourse of possible consequences on the Western Balkans not only on an economic level but also and mainly on the level of peace, security and stability in the region. The importance of this research is supported by the region's recent history, which survived six military conflicts, a region marked by multi-ethnicity and multi religiousness, where several unresolved political problems have remained. These problems may very easily turn into a new cycle of conflict situations, if the processes of European integration are delayed indefinitely. In such a situation nationalist forces in the Balkans may be expected to continue the increase in right-wing and religious extremism, which combined with the economic crisis could trigger a new round of violence with unforeseeable consequences for the future of the region.

Political Aspects Associated with the Economic Crisis in the European Union

Vuk Jeremic, the former Serbian Minister of foreign affairs likened the current situation in the world to the period of the French Revolution, where, "The only constant was the impact of the revolution" when, "nothing was as before" (Jeremic, 2012). Zbigniew Brzezinski, the former U.S. national security adviser, notes, with reference to the current situation: "The world in the 21st century has entered a period of instability, because no [single] country is able to rule the world alone ... this instability threatens [the] appearance of greater chaos and various regional conflicts" (Brzezinski, 2012). It is obvious that the economic crisis has lasted too long and it has already created consequences which in the short and medium term can have serious implications, not only on

an economic but also on political and social levels. It is evident that the crisis is more manifest on the southern borders of the European continent, unlike the north of the continent which is far more resilient. As a result of the crisis, communication between EU member states and Brussels, as well as between the regions, has been disrupted. The crisis has caused further tensions between the regions and central government.

At this stage, the reasons behind these tensions can be traced mainly to economic reforms, such as reductions in the cost of production, disputes over the scope of austerity measures and the means to cover budget deficits. The whole package is of limited duration, as it creates tensions among vulnerable groups, especially in the south of the EU. Negative reactions to this have already been experienced in Spain, Portugal, Italy, and Greece, as well as in Germany, where the province of Bavaria opposed a key element of European integration, that is, solidarity, announcing plans to review the legality of the system of financial redistribution from the richer provinces to poorer ones (Stratfor, 2012). In some ways this process reflects the diagnosis of the breakup of the former Yugoslavia. It can also be noted that some of the richer states have asked for a reduction or have even requested a cancellation of the solidarity program for poorer states, which up until now has been a very important bonding element used in overcoming the differences in development between countries. This situation will certainly cause political tensions, restoring nationalist feelings. It might even pose a bigger threat to the southern states of the European Union, where the economic crisis has had more serious consequences and where ethnic tensions could attain a greater significance for the stability of both central government and member states. The current divisions between rich and poor at the level of states and between the regions favor this situation even further.

This will most definitely weaken the EU's internal cohesion at a time when there is a revival of many nationalistic concepts which according to the former Italian Prime minister Mario Monti could cause the "danger of psychological division in Europe". Monti claims that the North-South divide and resentment within the EU is alarming, suggesting that, on the one hand, "there is a front between the north and south and there are mutual prejudices" (Monti, 2012). On the other hand, Switzerland is having to limit the number of immigrants and restart negotiations with the EU about the free movement of citizens. This is as a result of the decision of the Swiss electorate in a referendum held on February 9, 2014 that clearly supported the initiative

"against mass immigration" (Miletic, 2014). This decision is tied up with the economic policy of Switzerland in the future.

Jürgen Habermas, one of the biggest contemporary supporters of the European idea, places blame for the current crisis on politicians and political parties, which "have no political substance, no convictions and do not care about anything except to get re-elected" (Habermas, 2011). He sees Europe as a project without any alternative that must not fail, as he says, because the "global community" is not only a viable idea, but a necessity that should lead to the reconciliation of democracy and capitalism. Moreover, he sees the exit from this situation in overcoming the lack of unity in the EU through the development of a two-speed EU. He believes that this is the way to overcome the problems confronting the enlargement of Europe so that all can benefit from the common market. In fact, by supporting the thesis that all citizens need to participate in the future of Europe, Habermas practically strengthens the German idea of Germany being the only real locomotive of European progress given its economic performance and the nature of German power in a more general sense.

Employment Consequences of the Economic Crisis in the EU

The economic crisis has political, economic and security implications. As far as the economic impact is concerned, it is essential to monitor the problem of unemployment, given that unemployment, especially youth unemployment, is a key parameter in any country, which is reflected in the recruitment process of antisocial, criminal and other negative behaviors.

In this direction, an analysis of the Eurostat survey, in connection with the unemployment rate in the EU and other non-European highly developed countries for the period 2000-2011, allows one to draw the following conclusions: The unemployment rate among the EU27 and euro-zone members has been increasing. More precisely in the period 2007-2011 the growth in unemployment is 2 percentage points (EU 27) and nearly 3% in the euro-zone. The current unemployment rate can be analyzed through data obtained from Eurostat for the period April 2011-January 2012 and from 2012 until January 2014. The conclusion is that the rate of the rise of unemployment in the EU27 ranges from 9.7% in 2011 to 10.4% in January 2012. An increase in unemployment is also present in the euro-zone countries too, from 10.2 to 11.2% in January 2012. More than half of the EU member states registered an unemployment rate at over 10%, while Spain and Greece lead by over 20%.

The employment situation is of particular importance, because of the connection between unemployment among young people with specific security threats. According to Eurostat, in 2012 the unemployment rate among young people at the level of the EU27 was 21.4%, while in the euro area it was smaller at 20.8%. The data rate of youth unemployment at the EU level is also alarming. According to Eurostat, this rate is 44.4% in Greece, 46.4% in Spain, 29.1% in Italy, 26.6% in Bulgaria, 29.4% in Ireland, 22.9% in France, 26 1% in Hungary, 25.8% in Poland, 30.1% in Portugal, 22.9% in Sweden, 21.1% in UK, and 20.1% in Finland.

The seasonally-adjusted unemployment rate in the euro area (EA18) was 12.0% in January 2014, and it has been stable since October 2013. It had also stood at 12.0% in January 2013. The EU28 unemployment rate was 10.8% in January 2014, and had been stable since October 2013, falling from 11.0% in January 2013. Eurostat estimates that 26,231 million men and women in the EU28, of whom 19,175 million were in the euro area, were unemployed in January 2014. Compared with 2010, when the number of unemployed people in the EU28 was around 15.9 million. Among the member states, the lowest unemployment rates were recorded in Austria (4.9%), Germany (5.0%) and Luxembourg (6.1%), and the highest in Greece (28.0% in November 2013) and Spain (25.8%).

In January 2014, 5,556 million young people (under 25) were unemployed in the EU28, of whom 3,539 million were in the euro area. In January 2014, the youth unemployment rate was 23.4% in the EU28 and 24.0% in the euro area, compared with 23.7% and 24.1% respectively in January 2013. In January 2014, the lowest rates were observed in Germany (7.6%), Austria (10.5%) and the Netherlands (11.1%), and the highest in Greece (59.0% in November 2013), Spain (54.6%), Italy (42.4) and Croatia (49.8% in the fourth quarter of 2013). The unemployment rate in Slovenia in December 2013, according to the Statistical Office of Slovenia increased in all age categories, mostly among young people from 15 to 24 years, where the jump was from 32.4 to 33.8%.

The forecast is that the economic crisis will continue to deepen. The so-called “Baltic Dry Index”, which is used as a measure of the health of the world economy, fell from October 2011 to January 2012 by 61%!

Research on the effects of the economic crisis, through the prism of unemployment, is of particular importance, if we want to provide scientific indicators that will suggest certain events that may occur in the future. That is to say that unemployment may have negative implications on political life,

security issues and other areas of society. If this situation were to last any longer, instability might manifest itself in the form of social protests and riots against governmental policies, with instability at an inter-ethnic level, and if any particular society should be multicultural in nature, religious conflict might well be probable.

The current economic crisis in the EU is characterized by the occurrence of violence from the position of so-called right-wing extremism. Amnesty International announced that the "others" in certain EU countries have been subject to discrimination because of their cultural habits and customs, a development that further strengthen right-wing extremism in the EU (Amnesty international, 2012).

The Political Situation in Southeastern Europe

The key point of this research is based on the hypothesis that the rise of right-wing extremism in the EU is a direct result of the increase in unemployment, especially among the young, as a result of the extended effects of the economic crisis. This hypothesis can be connected with the expectation that the growth of right-wing extremism in the EU will inevitably have a direct negative impact on the stability and security of the Western Balkans and the wider region of Southeastern Europe. For this purpose, the text uses the unemployment rate in general and more importantly the unemployment rate among the younger generation. Unemployment is therefore treated as a key parameter in any country, especially youth unemployment which can be reflected negatively in the recruitment process of antisocial, criminal and other negative behaviors.

As a result of the daily interest of political elites to maintain or win power in elections, their main actions are aimed at their own survival in the political arena. Before every election, political elites invest in a nationalist propaganda campaign, rather than in a competition of ideas for economic development. Increased ethnocentrism, populism, provocation, and intolerance towards "others" are recurrent phenomena in the region. The "others" are usually identified with different ethnic groups or religious, national minorities or people of different sexual orientation, globalism, the EU or NATO. The ethnocentrism of those elites often entails an emphasis on fostering an ethnic economy, that is, on the planning and realization of the economy, energy and infrastructure projects exclusively within their own ethnic group. Evidence shows an emphasis on promoting intra-ethnic trade,

ethnic education, ethnic culture, ethnic employment, or the promotion of fashion based on religious identity.

Political parties act as tools of political socialization, rather than advocating the stability and prosperity of all citizens, thereby serving as the main actors in the separation of citizens along all lines. In that sense, political parties place an emphasis on individual ethnic histories, the manipulation and revision of historical events, the manipulation of individuals and numbers, and invest in dividing mono-ethnic nationalist projects instead of national or regional projects of mutual interest. The Western Balkan region is confronted with the stagnation of democratic processes, the operation of a corrupt capitalism, autocratic tendencies, a controlled media, restrictions on the freedom of speech, self-censorship, the reduction of civil political culture, a decline in trust in institutions, low levels of social capital and increased repression. Furthermore, organized crime, corruption and lobbying are cancers that further erode regional economies. Figures become the main tool for manipulating and lying to the general public.

The threat is even greater, if on these conditions one adds the religious element as a key indicator for assessing future potential conflicts. According to the available data, religious division has drastically increased in the last twenty years (Wilson Center, 2003). Although all states, according to their constitutions, declare themselves to be secular societies, essentially and practically the role and influence of the clergy in political life has grown in recent years in almost all the countries of the region. One would expect that this emphasis on religion would result in more love, understanding and tolerance. Nevertheless, to the contrary, religion has been used to legitimize mono-ethnic concepts and geopolitical games. The increased number of constructed or renovated religious buildings or monuments in all religious provenances, in the region, bears witness to how much is invested in divisions and differences. According to the Sarajevo Center for Islamic Architecture, in Bosnia and Herzegovina alone, over 550 new mosques had been built by September 2004. So much investment in new mosques or new churches, instead of focusing on a rise in the economy and development, or less unemployment, serve as an act of division for sure.

In a poll carried out by the Institute for Sociological, Political and Juridical Research, conducted on political culture in Macedonia, the answers to the question “for which core values are you prepared to even fight” are really interesting: for the Muslims this value is religion, whereas Christians are prepared to fight to defend their state (Simoska, Gaber & Babunski, 2001).

It could equally be summarized that in those countries with predominantly Muslim populations the answer would be the same. The political culture of the citizen in the state must be known by any politician acting in a multicultural society.

Economic Characteristics of the Western Balkan Region in Terms of Unemployment

The hypothesis that the rise of right-wing extremism in the EU is a direct result of the increase in unemployment, especially among young people, is confirmed by the statement of British Deputy Prime Minister, Nick Clegg, who believes that "if the euro zone does not come up with a reasonable vision for the future, there might be an appearance of a different range of growing nationalist, xenophobic and extreme movements throughout the European Union" (Clegg, 2012). The problem of unemployment was a dominant issue in the speech by José Manuel Durão Barroso, President of the European Commission, during the high-level conference on youth employment in Brussels (Barroso, 2014). Veselin Vukotic, the rector of the University of Podgorica, pointed out that: "The problem of unemployment is a key issue nowadays, from which emerge all the others, including crime and terrorism". The research question of this chapter deals mainly with the effects of the economic crisis in the European Union and the possible threats to the Western Balkans, such as right-wing extremism. To the extent that the Western Balkan economies directly depend upon trade and economic relations with the EU, so any economic shock within the EU undoubtedly has an impact on the economic development of all the countries in the region and their relationship with the EU.

According to the European Commission (European Union edition, 2012), since 2012 the Western Balkan economies have been moving at a slower pace. In nearly all countries, there has been a registered decline in exports, an increase of budget deficits, with a decline in GDP, and forecasts of a recession in the next few years. Whilst the reasons for decline may be attributed to the deterioration of the international situation, they are primarily a result of the worsening economic situation in the EU.

The key negative consequence of this situation is an increase in unemployment in all countries in the Balkans. Most unemployment is recorded in Kosovo with over 50%, followed by Bosnia and Herzegovina at 44.8%, Macedonia with 28.8% and Serbia with 24.1%. When it comes to the

unemployment rate of young people, the data is alarming. According to Radio Sarajevo, in Bosnia and Herzegovina, over 58% of young people under the age of 30 are unemployed. According to the Statistical Office of Macedonia, 52.5% of young people aged up to 24 years are unemployed, and in Serbia, this percentage is around 50%. An International Labor Organization (ILO) report estimates that in Montenegro youth unemployment reaches 58%, while in Kosovo it reaches over 75% of the young population (Dotto, 2011). EU members from this region also noted an increase in youth unemployment among as follows: Greece around 60%, Bulgaria 30%, 24.5% in Hungary, Romania 23.6%, Slovenia 33.8% and Croatia at 49.8 (Eurostat, 2014).

As a consequence, young people often choose to permanently leave their home towns (Danas, 2014) or even become prey to various criminal networks and organizations (Vukotic, 2014). Young people are the core driving force of social protest and their protests often end in violence. A notable number of young people is included in the right-wing extremist organizations motivated by their slogans such as for honor, freedom, and homeland (Firstenau & Bašić Savić, 2010).

Right-wing Extremism and Violence in the Balkan Region

The growth of the radical right in Serbia is directly related to the end of the Yugoslav wars, which were accompanied by great economic strife. Moreover, there are still significant political actors aiding this trend. Among them for example, is the ultranationalist right-wing political party – "The Serbian Radical Party" – which enjoys popular support in Serbia. "The Serbian radical right should therefore be considered not only as a threat to the security of individuals or society, but also as a serious danger to state security" (Turkish Weekly, 2013). Alexander Popov, a prominent civil society activist, suggests that according to the Serbian police and security service (BIA), a number of right-wing extreme organizations are operating in Serbia and the only chance for the region to prevent increased violence is through European integration (Popov, 2007). Zarko Korac, Serbian psychologist and politician, speaking about neo-Nazism in Serbia, believes that Claire-fascism is a greater threat, due to its autochthony. Claire-fascism is an ideology that combines the political and economic doctrines of fascism with theology or religious tradition. The Serbian right-wing extremist group "SNP Nasi" announced putting up surveillance cameras in apartments near a new lesbian and gay center in an attempt to shut it down (Balkaninsight, 2013). According to surveys, Serbian society

remains deeply homophobic, as a result of which gay people tend to live in isolation and with a high degree of secrecy.

The growth of the extreme right has also been registered in Croatia. In April 2012, a few hundred members of the "United against Fascism" group protested in Zagreb against the far right holding rallies, and supported a ban on the holding of an international conference of European extreme-right parties, organized by the Croatian Pure Party of the Right (HCHSP). In this context, the President of Croatia, Ivo Josipovic, said that "in the country (Croatia) there is an ustasha-snake, which is not widely accepted, but we know that it exists and we must be prepared to deal with it in an appropriate way" (BETA Press, 2012). Racism in Croatia is expressed in the following ways: resentment against players of different color and race in football matches, fascist symbols during music concerts, or violent behavior during gay parades. Footage shows Simunic shouting "for the homeland" over a microphone - the fans respond "ready". The chant is reportedly associated with the Ustasha, the Croatian pro-Nazi regime that ruled during the Second World War. Marko Jurcic, from the Center for sexual orientation and gender identity, believes that right-wing extremism in Croatia can be recognized as a neo-ustasha movement that is part of the numerous political parties, from which it receives its support. At the same time, there is a less noticeable neo Nazi movement, which unlike the neo-ustasha nationalism, has its roots in the Second World War, and is even more racist (Riemen, 2011). Alen Budaj, Director of the "Margel Institute" in Zagreb agrees with this division of extremism in Croatia. He argues that, in Croatia the threat of the neo-ustasha is much larger than neo-Nazism, because it received great support from non-parliamentary right-wing parties (Budaj, 2012). Stjepan Mesic, former Croatian president, suggests that "not only is extremism in Croatia strengthened, but the state together with the Catholic Church tolerated and even sponsored it. For a period of twenty years, the regime in Croatia systematically reduced and kept quiet about the crimes of Nazi-fascism and the ustasha. At the same time, hardly anyone mentions the fact that it demolished more than 3,000 monuments of anti-fascist fighters and victims of fascism in the last 20 years" (Mesic, 2014). Lately throughout Croatia nationalist protests and violence have been organized against bilingualism in Vukovar (close to the Serbian border) although bilingualism is a constitutionally guaranteed right (RTS, 2014). Nazi hunter and director of the "Simon Wiesenthal" Center, Efraim Zuroff, warned of the strengthening of neo-fascism everywhere in the EU, especially in some of its eastern states,

such as Croatia, where the situation has deteriorated significantly (Zuroff, 2014).

The findings suggest that the neo-Nazis in Bosnia and Herzegovina are equally active, using the Internet for their own promotion. So far, the movement promotes the ethnic identity of the Bosniaкs, without the interference of religion. Their program is a “national and secular Bosniak state” (Huseinovic, 2013).

According to some analysts, right-wing extremism in the Balkans is more manifested on a national and (or) religious basis, rather than racially motivated. Namely, Dragan Popovic, director of the Center for Practical Policy, claims that unlike extremism in the European Union, the target of right-wing extremists in Serbia is national minorities. Right-wing extremist groups in Serbia, Croatia, Bosnia and Herzegovina, Kosovo, Albania, Macedonia, Greece and Bulgaria, have devised an ideology of denial of the rights of other nations or groups who are different from them in speech or gender.

At the same time, the members of right-wing extremism have changed their image. Instead of “Spitfire”-jackets, black heavy boots and shaven heads, now most of them are dressed in suits and do not attract any special attention. They are trying to promote themselves positively among citizens and struggle for winning elections at the municipal level. They are opponents of globalization. In order to gain the sympathy of citizens they use slogans that are characteristic of leftist parties, related to the social element and place an emphasis on taking care of “the people” and the “state” (Bojic, 2007). Anyway, it seems that one feature connects all characteristics of the right-wing populists. During the crisis they are trying to instrumentalize the fears of the voters; whereby, right-wing populists rely on voter dissatisfaction. They offer simple answers to complex problems such as the economic situation, unemployment and social insecurity. They primarily want to remove, drive away or return home, those whom they refer to as, the stranger or the “other” (Shmit & Bashic Savic, 2010). We can assume that with the deepening of the economic crisis, these groups and parties will, in the future, become a real political force with a desire to win political power.

Neo-Nazi graffiti can often be found on city walls and in schoolyards. In high schools one can see students with shaven heads, T-shirts and badges referring to music groups, which are associated with or propagate Nazi ideology. Teachers often do not know the meaning of music groups such as “Foreskins”, “Blades”, “Specials”, or “Agnostic Front”, whose shirts are worn by their school students. They communicate among themselves with symbols and

codes that clearly determine the right-wing extremism of their groups. Namely, number “28” is the second and the eighth letter of the alphabet (B and H) that indicates the origin of “Blood & Honour”. On the other hand, a tattoo often writes “Combat 18”, which is considered to be the armed wing of “Blood & Honour”. Number “18” indicates the first and eighth letter of the alphabet (A and H), or the initials of Adolf Hitler, whereas number “88” stands for the initials of the alphabet for the greeting “Heil Hitler” and so on (Velicki, 2013, pp. 70-71).

As a form of communication, right-wing extremists attempt to conquer the Internet. The number of neo-Nazi networks in just one year tripled in 2010. NGO “Jugendschutz.net”, formed in 1997 to protect young people from the influence of right-wing extremists, registered 1900 sites dealing with the Nazi-related ideas. Around 10,000 users per day read blogs and visit neo-Nazi Internet platforms.

Lately, prominent members of the right-wing extremist groups are involved in sports. They are active in establishing sports clubs or are involved as referees of sports matches (Omerašević, 2013). Their aim is to spread neo-Nazi ideas in the amateur leagues, especially among the younger generation, where recruitment is very easy. In that way, fan groups are infiltrated by extremist right members. Right-wing extremists are often leaders of fan groups and are also nominated for local elections.

We are also witnessing dangerous attempts at rewriting the history of the Second World War in order to remove the blame from those responsible for the Holocaust and other crimes against civilians. Through the means of education, nationalist culture is forged in almost every segment of society (Arnautovic, 2014). Popular folklore is used for hate speech. “Nationalism in Bulgaria is strengthening”, says Daniela Mihailova, director of the initiative “Equal Opportunities”, an NGO based in Sofia. “The targets of the nationalists are always the ‘others’, and that includes Muslims, different ethnic groups, Jews, the gay community and refugees”, said Solomon Bali, chairman of the Bulgarian branch of the Jewish organization B'nai B'rith. Many state institutions today are under the influence of Ataka - the nationalist party that in 2005 first entered Parliament by winning nearly nine percent of the votes. Today, a deputy of the party chaired the parliamentary ethics committee, and the party has a representative on the Committee for the Protection from Discrimination. “So it is not surprising that their decisions are frequently supported by discrimination, rather than combatting it”, said Krasimir Kanev, chairman of the Bulgarian Helsinki Committee (Vaksberg & Švarc, 2014).

Recently in Macedonia, the participation of minors in violence on an inter-ethnic basis has been registered. It is believed that political parties manipulate the growth of nationalism for their own ratings, almost before every election. Furthermore, the politicization of violence among young people is notable. According to the Ministry of Interior Affairs: "the number of minors, who in 2013 were discovered and sanctioned for participation in incidents, rose to 150 people" (Kurir, 2013). In Macedonia, the first seeds of neo-fascism were planted by skinheads. With shaven heads who greet each other in the style of their ideological leader, Hitler (Diversity media group, 2013). Their ideology is extremely nationalistic; they advocate the expulsion of minorities and they are against the rights of marginalized groups, such as the Roma, and social cases.

New Islamic movements in Kosovo, such as Bashkohu, Forumi and Paqja Studentore, are not a direct threat to Kosovo's stability, but they could be if they became more politically active. (Karadaku, 2013). There is no widespread violence, nevertheless the roots of conflict, the roots of violence are still alive (Pani, P. & Fidanoska, E. 2013). **"**Different ethnicities, different religions still hate each other and as a result of that people are living separately" (Turkish Weekly, 2013).

It is important to emphasize the fact that the growth of nationalism, and the level of right-wing extremism in the Balkans is the result of the disintegration of the former Yugoslavia. After 2005, with the breakup of the economic crisis and its prolonged and deepened negative effects (such as falling living standards, rising unemployment, and the lack of prospects for young people) right-wing opponents of liberal democracy started recruiting a new generation of nationalists. In all the Balkan countries they try to reorganize and win power, but with an anti-European orientation built upon a national program.

It could be said that nationalist platforms with neo-Nazi and far right-extremist programs have yet to come to the fore, if the social problems deepen (Bartlett & Prica, 2012). It seems that European integration processes have no alternative. In this regard, the President of the European Council, Herman van Rompuy, stated that "the entry of the Western Balkans into the EU will put an end to a history fuelled by constant conflict". At the same time, European analysts warn of worrying trends in the European integration processes. The path to membership of the EU is becoming more demanding and longer. "The new expansion could not be expected before the year 2020, and in the case of Macedonia, Bosnia and Kosovo, it may take even longer",

says Florian Biber from the Center for the Study of Southeast Europe. He suggests that it is a bad practice that in the Western Balkans there appear to be two groups of countries, “those who can” (Serbia, Montenegro and Albania) and “those who cannot” (Bosnia and Herzegovina, Macedonia and Kosovo), and the reasons for those “who cannot” damage any attempt at making any progress in the path towards Euro-integration (Maksimovic, 2013).

Conclusion

A characteristic of all right-wing extremist movements is the policy of the protection of national identity, by referring to ethnicity and the homogenization of the nation, whilst calling on a higher level of morality and a struggle against alleged corrupt political elites. The impact of an extremist right-wing group usually increases before and during the elections, when the established political parties easily resort to populist and nationalist rhetoric in order to win votes.

Right-wing extremists in the Balkans can be divided into nationalists, neo-Nazis, Claire-fascists and sports hooligans. It is thought that Claire fascism constitutes a greater threat, especially in Serbia, because of its autochthony. Right-wing extremism in Croatia can be recognized as neo-ustasha and they are part of some political parties. In Bosnia and Herzegovina, hooliganism has a special dimension because it is intertwined with nationalism. Many members of such groups operate under the spiritual and financial auspices of religious communities and the diaspora.

While in Germany, neo-Nazism or neo-fascism was mainly directed towards racial and political intolerance, in the Balkans they are primarily based on ethnic and religious grounds. In this case, the reinterpretation of the national “tradition” is an ideological strategy of modern fascism. Although in the case of marginal groups, the danger arises from their exclusivity, and a membership made up of mostly young people who may easily decide to resort to the use of violent methods. The target groups of right-wing extremists are national minorities, the Roma, differently oriented sexual groups, and then the so-called associations of “national traitors” that militate for issues, such as a civil society, or human rights. A delay in the process of EU enlargement would be a risky development that may lead to the disruption of security and stability in the Western Balkans. Confirmation of this thesis can be found in the existing obstacles to the Belgrade-Pristina negotiations, the complexity of the situation in Bosnia and Herzegovina and the situation regarding the naming dispute

between Macedonia and Greece. These conflicts or disputes could easily escalate against the background of an uncertain European membership, supported by nationalist circles.

Besides, the uncertainty of European enlargement would not only lead to greater Euro-skepticism, but could also result in a decline of trust in institutions and in the existing political elites, with the possibility of political activity of a new generation of politicians, of both the extreme left or right-wing, with populist and nationalistic political programs. In such circumstances, in terms of increased unemployment and poverty, it may be easy for inter-ethnic conflicts in the region, destabilization, and a new cycle of conflicts to be restored. Due to the multicultural character of the region it might be realistic to expect the emergence of violence and clashes on the religious plain. The delay of European enlargement also serves structures associated with organized crime, or the so-called Balkan "confederate mafia".

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E-democracy Initiatives at the Local Level in the Republic of Macedonia, Estonia and Hungary

Ganka Cvetanova, Veno Pachovski

Abstract

This chapter evaluates three different types of e-democracy initiatives at the local level in the Republic of Macedonia, classified by the elements of the democratic process which they work to enhance: transparency, participation, and deliberation. This chapter also attempts to compare e-democracy initiatives at the local level in the Republic of Macedonia with e-democracy initiatives in Estonia and Hungary, which are both EU Member States. For the purposes of our research we have chosen Estonia and Hungary as EU Member States on the one hand and the Republic of Macedonia on the other, as an EU candidate country for the following reasons: all three countries recently left their communist past, with weak democratic institutions and a low level of trust in government and a strong commitment to e-democracy. The methodological approach used in the Comparative Project on Local e-democracy Initiatives in Europe and North America, served as the basis for our research, which means that this research relies on a tripartite typology of e-democracy initiatives in order to provide a framework for classification as well as comparative analysis of e-democracy practices in the Republic for Macedonia, Estonia and Hungary. In the first stage of our research we analyzed the web portals of the units of local-self government in the Republic of Macedonia in the period of 2013-2014, with a special emphasis on e-democracy initiatives. The second stage of our research was a comparative analysis of the existing types of e-democracy initiatives at the local level in the Republic of Macedonia and e-democracy initiatives in Estonia and Hungary. Our investigation discovered that there are many outstanding local e-democracy initiatives in all of the three countries mentioned. However, there is a little evidence that these initiatives have done much to ameliorate any of the aforementioned problems that all three countries are still facing. The paper also provides some recommendations for improving e-democracy initiatives at a local level and their performance in general.

Keywords: e-democracy initiatives, local level, local government, transparency, participation, deliberation, e-tools.

Introduction

We live in the age of new technologies which, in many respects, affect our everyday lives, such as: the way we communicate with each other, the way we transmit and access our information, and the way we conduct our professional engagements, even the way we practice democracy. New technologies or Information and Communication Technologies (ICTs) enable new ways of participation in democratic and political processes, thereby affecting political society and democracy at a global, national and local level.

Webster defines democracy as: "a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation". Putting an "e" in front of democracy means nothing more than using the tools of information technology to facilitate, improve and ultimately extend the exercise of democracy (Caldow, 2004, p. 1). As Caldow (2004) states, engaging your "own" citizens or constituents through digital media includes enhancing active participation in law-making, policy-making, and legislative processes, all of which are influenced by a variety of forces, such as: public opinion, debate, lobbying, special interest groups, consultations with constituents, committee hearings, and expert testimonies.

It seems that more and more governments are offering web-forums as a means of replacing the council meeting or the public *agora*. Moreover, it is increasingly common to be able to offer feedback to your elected officials via email, web forms, or even SMS. In order to be heard, citizens need only a minimal level of technology and can raise their voice in their spare time at home instead of having to meet their politicians face to face (Peart & Diaz, 2007, p. 2). Many local authorities worldwide also adopted the use of ICT to supplement their traditional activities and to improve the involvement of citizen in the democratic process.

Policy and research on e-democracy is still at an early stage of development. The focus of this chapter is on e-democracy at the local level, evaluating three different types of e-democracy initiatives in the Republic of Macedonia, as classified by those elements of the democratic process which they work to enhance, namely: transparency, participation, and deliberation. The study also attempts to compare e-democracy initiatives at a local level in the Republic of Macedonia with e-democracy initiatives in Estonia and Hungary as EU Member States, presented in the *Comparative Project on Local e-democracy Initiatives in Europe and North America.*[1]

As Peart and Diaz - the authors of the *Comparative Project on Local e-democracy Initiatives in Europe and North America* - state, despite the widespread take-up of e-government across the world, and the studies dedicated to this topic, surprisingly little cross-national comparative research has been undertaken on the connected issue of e-democracy. The investigation in this project addresses that gap by analyzing e-democracy developments across one North American and six European countries. Specifically, the investigation targets practices of local citizen e-democracy in Estonia, Hungary, Italy, Spain, Switzerland, the United Kingdom, and the United States. The focus is upon developments, especially at a sub national level and, most particularly (but not exclusively), upon local government-sponsored initiatives (Peart & Diaz, 2007, p. 2).

This project served as the basis for our study. The research methodology in the *Comparative Project on Local e-democracy Initiatives in Europe and North America* relies on a tripartite typology of e-democracy initiatives in order to provide a framework not only for classification, which is necessary for any investigation of new phenomena, but also to provide qualitatively distinct subdivisions of an emerging research agenda and maintain a consistent methodological approach in this endeavor (Peart & Diaz, 2007, p. 5).

The same methodological approach – the tripartite typology of e-democracy initiatives - was used in our research, not just to provide a framework for classification but also as a basis for our comparative analysis of e-democracy initiatives in the Republic of Macedonia, Estonia and Hungary.

Despite the fact that the investigation in *Comparative Project on Local e-democracy Initiatives in Europe and North America* was focused on one North American and six European countries, for the purposes of our research, that is, in order to make a comparative analysis of e-democracy initiatives in the Republic of Macedonia with other EU Member States, we have chosen Estonia and Hungary for the following reasons:

- Whilst Estonia and Hungary are EU Member States, the Republic of Macedonia is an EU candidate country.
- All three countries share a recent Communist past.
- Both Estonia and Macedonia are newly independent states.
- All three countries have weak democratic institutions.
- The trust in government in all three countries is generally low.
- All three countries endure centralized governmental arrangements.

- They share powerful digital divides; and,
- All of the three countries have a big commitment to e-democracy.

In the first stage of our research we analyzed the web portals of the units of local-self government in the Republic of Macedonia in the period of 2013 -2014, with special emphasis on the e-tools used. The second stage of the research was a comparative analysis of the existing types of e-democracy initiatives on a local level in the Republic of Macedonia and e-democracy initiatives in Estonia and Hungary.

Typology of E-democracy Initiatives

Throughout the *Comparative Project on Local e-democracy Initiatives in Europe and North America* (2004, p. 5), e-democracy initiatives were classified by the elements of the democratic process which they work to enhance: transparency, participation, and deliberation.

A Transparency e-democracy initiative refers to those e-democracy projects that work to increase the transparency of the political and democratic processes that take advantage of ICTs to bring information to citizens that would not otherwise be available. There are two major types of transparency initiative. The first type provides a central source for information about the government and its activities. The second type of e-democracy initiative that works to increase transparency is that which uses ICTs and especially Web2.0 technology to make massive text-based, audio, and even visual records of government activity available on citizens' computer screens (Peart & Diaz, 2007, p. 5).

Participation in an e-democracy initiative consists of those uses of ICTs that promote citizen participation in the governing process. There are three major subtypes to this initiative. The first type allows citizens to vote online. The second, and by far most common, subtype is that of "citizen feedback" or "e-consultation." This type of e-democracy initiative can be as simple as offering a form for citizens to fill in online or as well-organized as question and answer chat sessions with mayors or a governor, or it could even include a system that allows citizens to offer advice via SMS. The third type offers citizens the option of participating in traditional political processes online. For instance, a system that allows citizens to give online feedback on budget allocation or to launch a ballot initiative online to transform the means by which citizens can participate in political processes, making it much easier

thanks to mediation by ICTs. While the latter two subtypes offer citizens the chance to communicate with and give feedback to their representatives in new and potentially simpler ways, the former offers a new way to participate in selecting those representatives in the first place (Peart & Diaz, 2007, p. 6).

The third type of e-democracy initiative – deliberation, attempts to recreate a sense of the public sphere online. In general, these initiatives offer citizens of the local region or municipality the option of participating in a discussion forum that is intended to be a space to raise issues of local importance. In other instances, however, these discussion forums serve as the ingredients with which legislation is formed as the discussion threads are often officially monitored by legislators and administrators to gain ideas (Peart & Diaz, 2007, p. *7*).

Case Studies

Estonia

The Republic of Estonia is a small unitary state on the Baltic Sea with a total population of around 1.3 million residents. It relies upon a system of constitutional democracy with a President elected by a unicameral parliament. The President appoints the Prime Minister to head the executive branch with the help of up to 14 Ministers. Elections are held every 4 years. The country is divided into 15 counties for the sake of administering the national government. Within these counties, there are essentially two types of municipality of importance here. “Towns” tend to be larger municipalities. “Rural municipalities” are conglomerations of smaller villages that are clustered in the same area. Just under a third of the population (roughly 400,000) is located in the biggest city and capital, Tallinn, on the country’s north coast.

Attitudes Toward E-Democracy. As noted in the report, the top three problems that Estonian democracy faces today are: 1) the fragility of civil society structures, 2) low voter turnout especially for local elections (47.4% turnout in 2005), and 3) the low reputation of political parties. In order to overcome these obstacles, the Estonian Parliament created the Estonian Civil Society Development Concept (known as EKAK) with the intention of outlining a strategy by which the public sector can cooperate with private organizations to help reinforce Estonian civil society. One of the goals of the EKAK was to promote citizen involvement in the political decision-making process through the use of ICTs. Also, as an attempt to raise the rate of

participation, specifically voter turnout, the Estonian government introduced binding internet voting, beginning in the 2005 elections.

An Overview of Initiatives. The survey uncovered that, despite the low levels of general trust in government, there were no outstanding examples of e-democracy that aimed at enhancing transparency. Most of the Estonian e-democracy projects were focused on opening up new spaces for public deliberation. However, it is worth mentioning one exceptional example that offered citizens a new way to participate in the governmental process - internet voting or e-voting. The project was conducted on a national level. The first step in realizing the e-voting project was to institute a national ID card system that enabled citizens to verify citizen identity online. By the end of 2001, the Public Key Infrastructure was developed and operational. After four years of issuing ID cards, by 2006 about 900,000 had been issued, accounting for about 85% of registered voters in Estonia. During the 2006 elections, e-voting[2] was offered four to six days before the national polls opened. In the end, only 9,287 e-votes were cast, or 1.85% of all votes cast in those elections. Despite a relatively low turnout for the e-voting portion of the elections, it is significant to note that almost all the registered voters have the option of doing so, given the existence of the national ID card system (Peart and Diaz, 2007, p. 12). As a follow-up, it should be noted that, in 2009, about a third of the electorate voted in the European elections – of whom 15% used e-voting (5% of total voters), and in March 2011, during the parliamentary elections, 61% of the total electorate voted; and just under a quarter of the votes cast came through e-voting (15% of the total number of votes). But, researchers who replicated the system in a laboratory environment say that the software could be hacked to cast fake votes or that the servers could be attacked to alter totals, and the benefits are considered to be not worth the risk (Arthur, 2014, May 12).

The other examples presented are deliberate initiatives that took place on a municipal level. The first is an online forum[3] run by the city of Tartu in 2005. The aim of this online forum was to solve one specific local problem. The forum was part of the municipal website but was a section specifically devoted to finding a unique solution to the problems presented by the estimated 10,000 unregistered residents of the city, mostly among the student population. The idea was to encourage people to register with the city, but with only 70 participants, the web forum was under-used.

The second e-democracy project that began in 2005 was a web forum.[4] The aim of the project was to create an online political space in order to

encourage coalescence amongst the citizens of a newly amalgamated municipality, known as Tapa. Both projects were purely municipal-level projects and were funded as such. Together with the TOM portal, they demonstrate the heavy focus in Estonia on opening up new spaces for political discussion with the help of ICTs.

Generally-speaking, e-democracy initiatives in Estonia focus on either improving participation or fostering deliberation. As Peart and Diaz claimed, despite the fact that internet penetration is very high in Estonia, the implemented e-democracy initiatives are generally under-utilized and doing very little to reinforce the faltering public faith in the country's democratic institutions. However, it must be highlighted that Estonia has carried out binding elections that included the option of internet voting.

Hungary

Hungary is a small central European country with a population of roughly ten million people. The governmental structure is that of a unitary, democratic state. The government at a national level is organized in a parliamentary system. The municipal governments are constitutionally granted a certain level of sovereignty, but this level is interpreted by the Parliament, which can also change that level. The governmental system is relatively centralized. Regional and local governments enjoy a large amount of legal autonomy. It is this autonomy that sets the background for widespread, autonomous, municipal-level experimentation with e-democracy. Hungary's population is relatively unevenly distributed, as roughly 90% of its registered municipalities have less than 5,000 people. Many residents are concentrated in large urban areas, leaving few moderately sized cities.

Attitudes toward e-democracy. As noted in the report, Hungary is a country with a surprisingly strong track record of local e-democracy. The findings in the study showed that the most popular type of e-democracy initiative is deliberation. Online political forums can be found in municipalities as varied as small, rural, mostly farming towns to the largest cities in the country. However, some major problems were indicated in this area. According to the report, the first major problem is that the poor distribution of wealth has created a powerful digital divide. The second problem is the weakness of democratic institutions. Finally, as a third problem, the recent Communist past that has left a precedent for the corrupt management of public funds that persists to this day. In order to overcome these obstacles, the Hungarian government adopted plans to apply ICTs to traditional bureaucratic

administration, hoping that the introduction of e-government practices might end some of the corruption (Peart & Diaz, 2007, p. 16).

An Overview of Initiatives. As findings in the report suggest, in each of following cases funding was provided almost exclusively by the local administration. There were three major cases presented in the study whose focus was on increasing transparency. The first took place in the municipality of Papa with a population of 33,341 and falling. The website[5] did not offer a forum but it merely provided information.

The second case took place in the municipality of Pilisvorosvar and was primarily a website aimed at including the blind. The website[6] achieved this by avoiding frames and providing a non-graphics version that makes it suitable for reading software. This rests at the level of transparency because it brings information about the government to those who could not easily access it previously. It should be noted that this constitutes one of the few cases of e-democracy initiatives addressing the digital divide. The final example takes place in the city of Pécs, a metropolitan center of 157,000 in southern Hungary, which initiated a free WiFi hotspot[7] in the center of the city in an attempt to encourage citizens to sign online and get information about the government.

The second type of initiative is the one that increases the participation of citizens by using ICTs as an intermediary. The first example presented in the report is a town called Siofok on Lake Balaton, which is a popular vacation spot with only 22,255 registered, year-round residents. The aim of the project[8] was to provide a forum where citizens could raise concerns over local issues. The second presented example took place in a district of Budapest known as Pestszentlõrinc-Pestimre (Budapest District XVIII) and is a platform that allows users to send a question to local administrators via cell phone with an SMS. The questions are answered either via regular mail or by SMS. And finally, the third case in the participation category took place in the Dunaujvaros municipality, a city with 55,000 residents. The intention of this project was to establish an e-point[9] where citizens can e-mail questions to their government officials. The questions are responded to by a committee and the reply is sent via email.

The third type of initiative promotes new spaces for political discussion. Research has shown a strong tendency toward the provision of these spaces in Hungary. There are three types of forums. The first case[10] is that of an online forum where citizens can interact and discuss issues of local importance. The second type[11] provides a forum that is monitored by members

of the local government who either cull ideas from the discussion or participate and answer questions from time to time. The latter also relies on open-source technology. The final case actually manages to create a dialogue between citizens and the mayor. The initiative[12] provides an online live-chat forum between the mayor and citizen-users that have registered beforehand. The event takes place quarterly. In this way, a political space is created and sustained that could not have existed without ICTs. In other words, it is a genuine electronically-mediated agora (Peart & Diaz, 2007, p. 19).

In the case of Hungary, the survey uncovered many outstanding local e-democracy initiatives. However, Peart and Diaz claim that there is little evidence that these initiatives have done much to ameliorate the problems mentioned at the beginning of the report on this country. They suggest that the question of the digital divide is not really being addressed, except the examples of building websites for sight-disabled individuals and the public provision of WiFi hotspots.

Macedonia

The Republic of Macedonia is a relatively young democratic country gaining its independence in 1991, in the so-called 'third wave of democracy', following the dissolution of the Socialist Federal Republic of Yugoslavia. The discussions concerning the relevance and significance of democracy, as a precondition to the global development of society, represent an integral part of current political and academic debate in the Republic of Macedonia. Although Macedonian society is still regarded as a society in democratic transition, serious efforts have been made to develop and enhance the information society as a whole, striving to introduce a range of tools that can usefully be applied in democratic processes and institutions (Cvetanova & Pachovski, 2013). By far the most popular type of e-democracy initiative, as classified by the typology elaborated above, is transparency. At the moment, the Republic of Macedonia focuses on fostering deliberation and participation in e-democracy initiatives, with particular emphasis on the third subtype of participation initiative, the one that allows citizens to launch a ballot initiative online.

The Republic of Macedonia is a small country located in the central Balkan Peninsula in Southeast Europe, with a total population of around 2 million. It relies upon parliamentary democracy with an executive government elected by a unicameral parliament. The Assembly (parliament) is made up of 123 seats and members are elected every four years. The role of the President

of the Republic is mostly ceremonial whilst executive power rests in the hands of the Government which makes the prime minister the most politically powerful person in the country.

Regarding the organization of local-self government, there are 83 municipalities, plus the country's capital - the city of Skopje as a distinct local self- government unit in the Republic of Macedonia. A quarter of the population (approximately 500,000) is located in the biggest city and capital, Skopje. Most residents are concentrated in the urban areas, in other words in moderately sized cities with a population of more than 20,000.

There are two types of municipality in the Republic of Macedonia: rural and urban. All of them are run in a similar way to most western cities, with a mayor and a city council. Under centralized governmental arrangements, most of the money is concentrated in the national/central government in Skopje. Yet, the units of local self-government are financed from their own sources of revenues, such as: real estate taxes; communal fees and service incomes; profits gained by public enterprises and public services established by local self-government units; as well as income through donations received from the Republic or from abroad (in goods or in currency).

At the national level, the Ministry of Information Society and Administration is responsible for the development of e-democracy initiatives. Whilst on the local level, the department of public relations or a member of the administration, if anybody at all, is responsible for programs related to e-democracy.

Attitudes toward E-Democracy. The *National Strategy for Development of Information Society*[14] was the first strategic document addressing the issues of the information society, drafted and published by the Government of the Republic of Macedonia in 2005. This document refers to the development of information society as a whole, with special emphasis on: infrastructure, e-business, e-citizens, e-education, e-healthcare and legislation. In 2008, the Ministry of Information Society was established. Since then, this Ministry is responsible for the development of the information society as a whole, for the creation and drafting of policy papers, and for the coordination of activities related to digital skills and e-services.

In the last few years several Strategies were drafted in the Republic of Macedonia.[15] All of the strategies are very general and concern the Information Society as a whole, such as physical access to the Internet (Figure 1a&b), equipment and content or digital skills and services, and some particular e-sectors.

In order to support and facilitate democratic processes in the Republic of Macedonia, the Ministry of Information and Administration created a web portal called *e-democracy*[16] in 2011. This web portal should provide a simple and easily accessible way for the citizens of the Republic of Macedonia, to give their opinion on both the governmental draft documents and adopted laws, as well as being actively involved in the decision making process.

Regarding the development of ICT on the local level, 11% of local units do not have web portals or they are non-functional (see Pie chart 1). It should also be noted that there is a very large digital divide. The inequality of access to digital information is especially emphasized upon when comparing between rural and urban municipalities (See Figure 2). Many of the rural municipalities do not have ICT sector or adequate ICT infrastructure. The rapid development of ICT on the national level (in particular the concept of e-government and e-governance) and in the urban municipalities, could further deepen the digital divide thus causing isolation and marginalization of the rural and small municipalities.

In order to reduce this digital divide between rural and urban municipalities in 2010 the Association of Local Self-government Units published a *Strategy for the Development of ICT 2011-2015.*[17] The aim of this strategy was to increase the capacity of the Association thus enabling municipalities to develop ICT sectors and adequate ICT infrastructure, to improve digital skills and services and to transform the units of local self-government into modern e-municipalities reaching the level of advanced European municipalities.

An Overview of Initiatives. Following the typology of e-democracy initiatives given in the *Comparative Project on Local e-democracy Initiatives in Europe and North America,* we begin with the initiatives that enhance transparency, move to participation initiatives, and finish with deliberation initiatives - those that create novel or online spaces for political discussion and dialogue.

Our research uncovered two subtypes of transparency initiatives. The first one provides a central source of information about local government, such as: published detailed budgets, details about public procurements, urban plans and other applications (See Figure 3).

The second subtype of transparency initiatives provides massive text-based, audio, and even visual records of government activities available on citizens' computer screens by using ICTs and especially Web2.0 technology (46% of municipalities). For example in, the community of Demir Kapija[18] the

official bulletins are published detailing the last four years of activity. The same applies to the community of Ilinden[19], where the last six years are documented. In the case of the municipality of Bosilovo[20], the video recordings of press conferences of the mayor are posted on site. The best one is the case of the municipality of Veles, where documents are pre-categorized in two sections, one of them dedicated to current activities[21] and the other to video recordings of council sessions (documented for the last three years).[22]

In order to be more transparent, many municipalities or mayors[23] also created official fan-pages on Facebook (more then 35%). Other municipalities posted videos with community activities on YouTube. The Municipality of Gevgelija[24] provides an excellent example for this kind of activity, with 73 videos posted, ranging from press conferences to meetings with citizens. Finally, considering the role of social networks, it is worth mentioning that out of those 9 municipalities that do not have web-sites, 5 are present on Facebook, to somehow compensate for the lack of a portal.

First, we should take into consideration that Macedonian society is multiethnic and in accordance with the Ohrid Framework Agreement[25], many of the multiethnic municipalities are supposed to use both languages: the language of the dominant ethnic community and the official language. Consequently, these principles should be applied to the municipalities' web portals accordingly. However, our research has uncovered that some of the multiethnic municipalities (Tearce, Kicevo, Zelino, Debar, Vrapciste, Aracinovo, Cair) do not use the official language on their portals, which remains a serious obstacle for information access. On the other hand, Skopje, Bogovinje, Kumanovo should be highlighted as positive examples for information being provided in two languages, and Gostivar and Dolneni for their content being provided in three languages. The language in this context is not just a matter of interethnic relations, it could be seen as a cause for deepening the digital divide.

Regarding the second initiative, that of increasing participation, there are some outstanding examples at the local level. The Initiative *PrijaviProblem* (Report a Problem) has been implemented in various municipalities. Prilep[26] could be pointed out as a municipality with the best solution, closely followed by Veles and Shtip. Using this initiative, in 2012 the citizens in Prilep[27] reported 1,184 problems over local issues and 1,136 of them were successfully solved by local government.

Another good example is the Municipality of Vinica[28] which enables direct contact with a municipality representative by establishing a chat session (5% of municipalities have this option available).

However, the subtype of participation initiatives which revolutionizes the voting process - e-voting, is not as yet present.

The third type of e-democracy initiative is the one that attempts to recreate a sense of the public sphere online. Despite several attempts to create online forums, one of them as a project launched by the Ministry of local self-government[29], none is functioning. It means that the citizens in the Republic of Macedonia do not have an opportunity to participate in a discussion forum that is intended to be a space to raise issues of local importance.

Despite many outstanding examples of e-democracy initiatives at local level, most of these initiatives are generally under-utilized. Although internet penetration is very high, people are much more active on Social Networks then using the possibility to participate in the democratic processes via ICT. On the other hand, the question of a digital divide has not been adequately addressed and there haven't been any efforts to include marginalized groups in e-democracy processes. However, the high internet penetration and strong commitment to e-democracy represents a great opportunity to enhance democratic governance, to strengthen democratic institutions and to increase the democratic awareness of Macedonian citizens.

Study Limitations

To the best of our knowledge, this is the first study that has gained an insight into e-democracy initiatives at a local level in the Republic of Macedonia. In this sense, the study has some limitations. A major limitation is the fact that as a basis for our research, based on the comparative analysis we used a project that was published in 2007. We also did not investigate into exactly what types of pre-conditions correlate to success in some types of initiatives and to failure in others. Another limitation is the fact that we were not able to analyze those web portals of local units where the official language was not used.

Conclusion

The development of democracy at a local level is of significant importance for the development of the overall democratic processes within a society. In order to enhance transparency and participation, as well as to create a sense for the public sphere, local democracy should be supported and enhanced by the means of digital information technology tools. The study evaluated three different types of e-democracy initiatives at a local level in the Republic of Macedonia, while comparing this with local e-democracy initiatives in Estonia and Hungary as EU Member States. The initiatives were classified by the elements of democratic process which they work to enhance: transparency, participation, and deliberation. As findings in this study suggest, in each of the three countries the funding of e-democracy initiatives at a local level was provided almost exclusively by the local administration.

The investigation uncovered many outstanding local e-democracy initiatives in all of the three countries concerned. For example, the research on Hungary has shown that the most popular type of e-democracy initiative is deliberation. Also, most of the Estonian e-democracy projects were focused on opening new spaces for public deliberation. Unlike the cases with these two countries, the deliberation initiative in the Republic of Macedonia is not present as yet, which means that the citizens do not have the opportunity to participate in online forums and raise issues of local importance.

Despite the fact that the project was conducted at a national level, the study has shown one exceptional example in Estonia - internet voting or e-voting. However, e-voting - as a subtype of the e-participation initiative, is not present as yet in either Hungary or the Republic of Macedonia.

The research uncovered that the common trend in all three countries is the lack of attention paid to the digital divide, except the examples of building websites for sight-disabled individuals and the public provision of WiFi hotspots in Hungary. In the Republic of Macedonia the inequality of access to digital information is especially emphasized when one makes comparisons between rural and urban municipalities. Also, the study uncovered that most of the multiethnic municipalities in the Republic of Macedonia do not use the official language on their portals which creates an obstacle to information access and is a serious cause in the deepening of the digital divide.

However, despite the strong commitment to e-democracy in all three countries, there is little evidence that these initiatives have done much to ameliorate the problems, such as: weak democratic institutions, the low level

of trust in governments and the low level of citizens' participation in democratic processes using ICT as relatively intermediary.

As all three countries only recently left their communist past, the problems they are facing are different from those of the western democracies. They have one problem in common, a weak sense of the institutionalization of democratic practices and a low level of general trust in government. In this sense E-democracy in all three countries could be seen as a chance to remedy the general mistrust of government, to enhance democratic governance and strengthen democratic institutions.

In order to reach these goals and to give an equal opportunity to all citizens to participate in democratic processes at a local level, the three countries should adequately address the issue of the digital divide. More attention should be paid to developing ICT sectors and adequate ICT infrastructure in the municipalities, as well as improving digital skills and services. Regarding the case of the Republic of Macedonia, emphasis should be laid on developing e-deliberation initiatives so that citizens - using online forums - could raise issues of local importance and thereby enhance e-democracy participation at the same time.

However, further research on this topic should be undertaken in order to investigate which pre-conditions correlate to success in some types of initiatives or failure in others.

Endnotes

[1] http://www.edemocracycentre.ch/files/ESF%20-%20Local%20E-Democracy.pdf

[2] See project website: http://www.vvk.ee/engindex.html and http://www.theguardian.com/technology/2014/may/12/estonian-e-voting-security-warning-european-elections-research

[3] See the Tartu Forum at: http://www.tartu.ee/?lang_id=1&menu_id=2&page_id=3125

[4] See the Tapa Forum at: http://www.tapa.ee

[5] http://www.papa.hu/letoltes/informatikai_strategia.pdf

[6] http://akadalymentes.pilisvorosvar.hu

[7] http://www.egovernment. hu/digitalcity/news.jsp?dom=AAAAGCAI&prt=AAAAFZMK&fmn=AAAAFZMP&men =AAAAFZMU&hir=AAAARWFK

[8] http://www.siofok.hu/online_hu.php

[9] http://www.dunaujvaros.hu/index.php?p=kf

[10] http://www.komlo.hu/index2.php?m=28

[11] http://www.szentesinfo.hu/mozaik/polghiv/vendegkonyv-v/guestbook.cgi

http://www.szentesinfo.hu/mozaik

[12] http://www.obuda.hu/forumarch.php?athoz=20*0*1

[13] http://www.mioa.gov.mk/files/pdf/dokumenti/Strategija_i_Akcionen_Plan.pdf

[14] http://www.mio.gov.mk/files/pdf/dokumenti/Nacionalna_strategija_za_razvoj_na_elektronski_ komunikacii_so_informaticki_tehnologii.pdf;
http://www.mioa.gov.mk/files/pdf/dokumenti/strategija_e-sodrzini_2.pdf;
http://www.mioa.gov.mk/files/pdf/dokumenti/Strategija_za_e-Vlada-05.03.2010.pdf;
http://www.mioa.gov.mk/files/pdf/dokumenti/Strategija_za_e-vklucuvanje.pdf

[15] http://e-demokratija.mk

[16]http://www.zels.org.mk/Upload/Content/Documents/Izdanija/Publikacii/MK/Strategija%20na%20ZELS%20IKT%202011-%202015.pdf

[17] http://www.demirhisar.gov.mk/e-opstina/sluzben-glasnik.html

[19] http://www.ilinden.gov.mk/e-opostina?doc=11

[20] http://www.opstinabosilovo.gov.mk/index.php/video

[21] http://uslugi.veles.gov.mk/Shared%20Documents/Forms/AllItems.aspx

[22] http://uslugi.veles.gov.mk/Lists/sednici/AllItems.aspx

[23] http://www.tetova.gov.mk/

[24] http://www.youtube.com/user/municofgvg

[25] According to the Ohrid Framework Agreement the official language throughout Macedonia and in the international relations of Macedonia is the Macedonian language. But - as stated in the Agreement - with respect to local self-government, in municipalities where a community comprises at least 20 percent of the population of the municipality, the language of that community will be used as an official language in addition to Macedonian. With respect to languages spoken by less than 20 percent of the population of the municipality, the local authorities will decide democratically on their use in public bodies.

[26] http://prijaviproblem.prilep.gov.mk/

[27] http://www.prilep.gov.mk/news/mk/proektot-prijavi-problem-ovaa-godina-uspeshno-se-spravi-so-1136-prijaveni-komunalni-problemi/

[28] http://www.opstinavinica.gov.mk/

[29] http://dajpredlog.mk/

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http://www.zels.org.mk/Upload/Content/Documents/Izdanija/Publikacii/MK/Strategija%20na%20ZELS%20IKT%202011-%202015.pdf

Figures

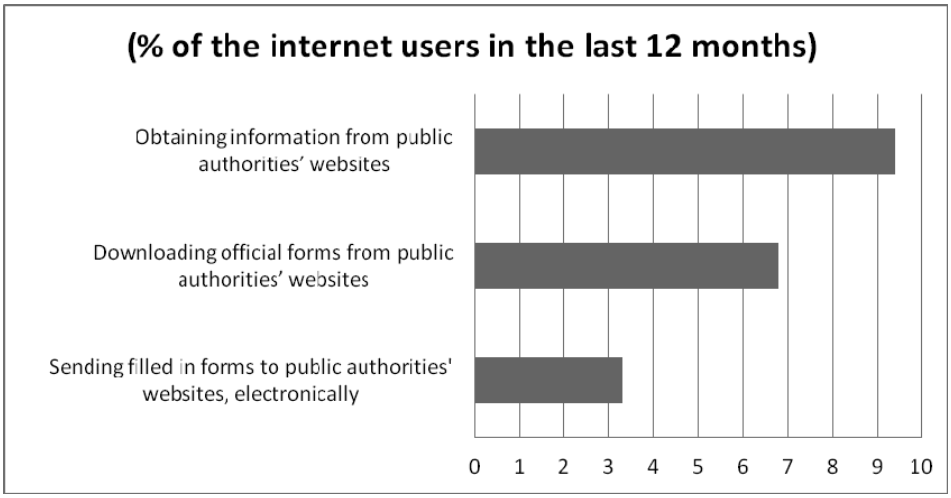


Figure 1a: Using the internet for interacting with the public authorities in the last 12 months (% of the internet users in the last 12 months) (Source: Drzaven zavod za statistika, 2013)

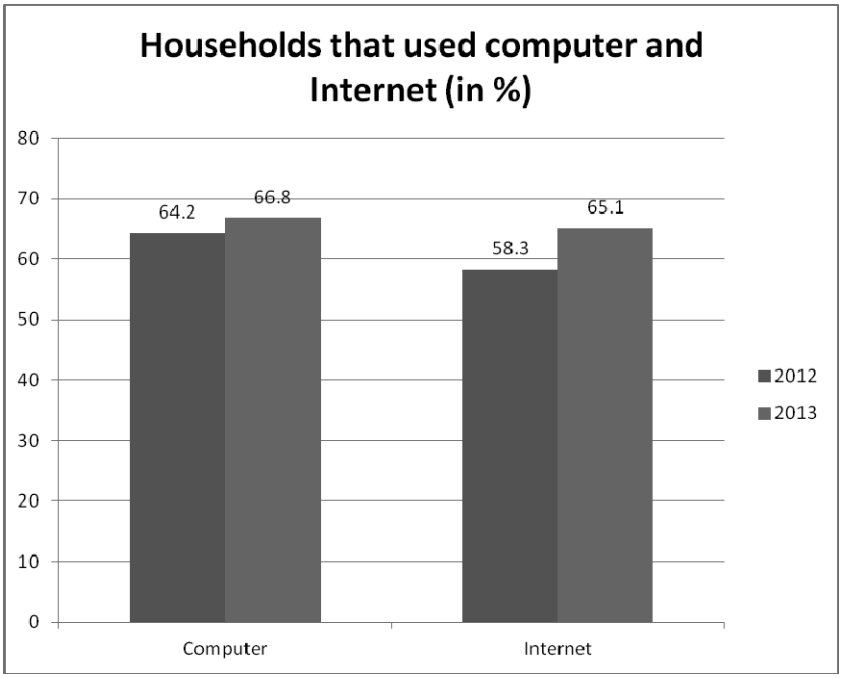
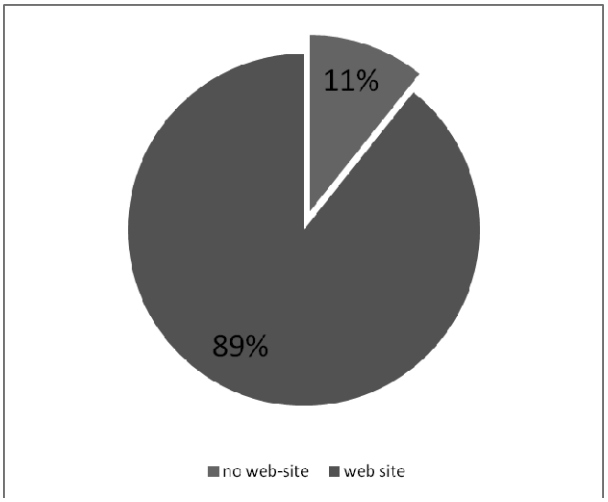


Figure 1b: Using computers and Internet in republic of Macedonia in 2012 and 2013 year (in %) (Source: Drzaven zavod za statistika, 2013)



Pie chart 1. Percentage of existing portals at local level in the Republic of Macedonia

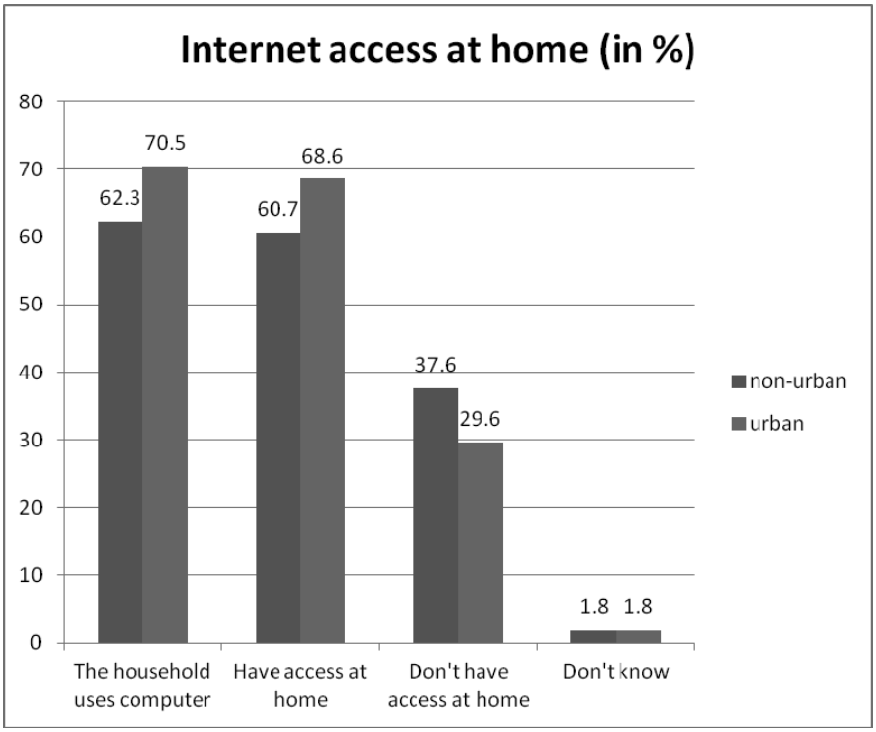


Figure 2: Digital divide between urban and rural areas in Republic of Macedonia (in %) (created using data from Drzaven zavod za statistika, 2013)

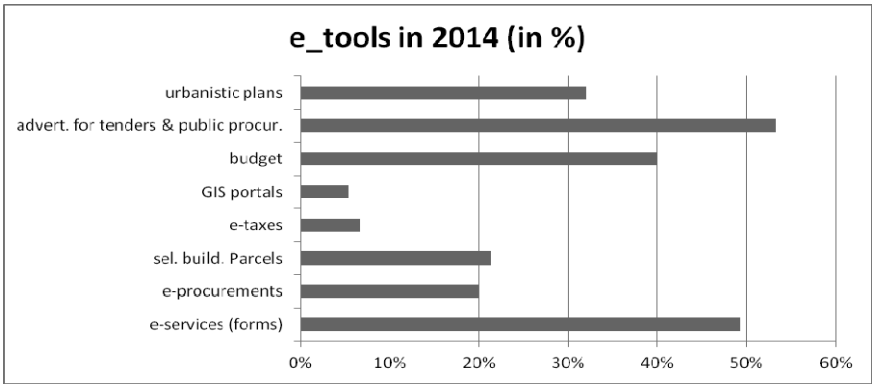


Figure 3: Degree of implementation of various e-tools in web-sites of municipalities in Republic of Macedonia (data last checked on March, 24, 2014) (in %)

The Theories and Practical Implications of Cross-border Cooperation: The EGTC "EURO-GO" as an Example of an Instrument for Promoting Integration among Neighboring Countries

Marina Andeva

Abstract

Originating from the will of populations and institutions from different states, institutionalised forms of cross-border cooperation have been developed with the main aim of confronting common problems in border regions and areas. This phenomenon has lead to the concept of the Euroregion. The notion of 'Euroregion' was originally employed for a very specific type of cooperation arrangement; it was later extended to a broader range of initiatives. The enlarged EU has been encouraging the creation of regional forms of the decentralisation of power, in economic and cultural fields in particular. This chapter provides an overview of the concept of cross-border cooperation with regard to its many structures, its legal basis and examples of practical implementation, with a particular focus on the European Grouping of Territorial Cooperation (EGTC). In order to demonstrate its practical implications, this chapter also provides examples of the cross-border cooperation initiatives between Italy and Slovenia.

Keywords: cross-border cooperation, Euroregion, EGTC, Italy, Slovenia.

Cross-border Cooperation

Cross-border cooperation (CBC) involves "direct neighbourly cooperation in all areas of life between regional and local authorities along the border and involving all actors" (AEBR, 2000). The so-called cross-border (or transborder) co-operation, is a multifarious and multifaceted practice which is triggered when populations of a given border-area and regional institutions realise borders not only divide, but also unite, creating identical problems on both sides (Del Bianco, 2006). One of the core objectives of this practice is to overcome the visual perceptions of borders as walls dividing communities and to foster social and economic development. In Europe, CBC has been seen as a tool for regionalism and integration to merge in a subsidiary fashion (Gasparini, 2003). Cross-border co-operation has a significant political component as demonstrated by the will of local politics to project itself in a broader and more proactive context which lies outside national administrative frameworks, which are often restrictive.

Initially, cross-border cooperation between local and regional authorities, such as that which developed in the Rhine Basin between its French, German, Belgian, Swiss and Dutch regions from the 1950s, was promoted by the European Council (O'Dowd, 2002). Bottom-up efforts of border regions to institutionalise cross-border cooperation have been facilitated by some international and national initiatives. Some of these initiatives and efforts will be mentioned here. An advisory body to the Council of Europe founded in 1970 - the European Spatial Planning Ministerial Conference (CEMAT) - issued the "European Regional Planning Strategy" (CoE, 1992), which represented the first concise strategy for cross-border cooperation in Europe and was to be developed further until the 1980s. The Nordic Council Agreement on Cross-border Cooperation between municipalities was signed in 1977 (AEBR, 2000). The Madrid Outline Convention on Transfrontier Cooperation promoted by the Council of Europe in 1980 (and subsequent protocols) sought to provide model inter-state agreements. International treaties laying general foundations for cross-border cooperation between local/regional authorities have been signed since 1989, for example: the BENELUX Convention (signed in 1986, coming into effect in 1991); the German-Dutch Cross-Border Treaty (signed in 1991, coming into effect in 1993); the Vienna Agreement between Italy and Austria (signed in January 1993, coming into effect 1995) and the Rome Agreement (signed in November 1993 coming into effect in 1994); the Karlsruhe Accord covering

cross-border cooperation between France, Germany, Luxembourg and Switzerland (signed in 1996, coming into effect in 1997); and the Treaty of Bayonne between France and Spain (signed in 1995, which came into effect in 1997). In reality much of the institutionalisation of cross-border cooperation has been happening since the 1950s in active border regions finding practical solutions under private and/or public law, to developed well structured and institutionalised indicatives which will be able to manage cross-border projects and have clear long-term sustainability. AEBR in a comprehensive report (2000) illustrated that the EUREGIO, on the Dutch/German border, was the first genuinely cross-border structure to be established in 1958; other forms were established too, on the same border (the Euregios Rhein-Waal, Maas-Rhein, Rhein Maas-Nord and Ems-Dollart in the 1970s). According to the data available from AEBR we will see that cross-border regions are widely spread throughout Europe with the terms 'Euroregion' and/or 'Euroregio', a terminology which associates them as European regions (AEBR, n.d.). Institutionally speaking, the management and operation of such a region of many state borders is set up within a body or agency creating actions of a cross-border nature and providing support and services to gain from the opportunities created by EU programmes, as well as creating and supporting civil society strategies towards cross-border cooperation.

The European Grouping for Territorial Cooperation (EGTC)

Within the Regional Policy of the European Union significant attention has been paid to the cooperation activities between regions. The European Grouping for Territorial Cooperation (EGTC) represents an interesting phenomenon defined as a 'European legal instrument designed to facilitate and promote cross-border, transnational and interregional cooperation' (INFOREGIO, 2012). The EGTC is a legal entity which enables regional and local authorities and other public bodies from different member states, to set up cooperation groupings with a legal personality. According to Regulation 1082/2006, the objective of an EGTC is 'to facilitate and promote cross-border, transnational and/or interregional cooperation with the exclusive aim of strengthening economic and social cohesion' (Art. 1, para. 2). At the end of 2013 new regulations have been adopted by the EGTC with regard to the clarification, simplification and improvement of its establishment and functioning.

The revised EGTC Regulation came into force on 22 June 2014. The Regulation (EU) 1302/2013 amending Regulation (EC) 1082/2006 on the EGTC was adopted on 17 December 2013 and will be applied on 22 June 2014. These amendments will simplify procedures and enlarge the scope of entities eligible to be members of an EGTC, providing the elements to make the functioning of the EGTCs. Having a legal personality established on a territory of an EU Member State (MS) governed by the Regulation, then the convention and the national law of that specific Member State, it can be established and composed of: 1) a state (MS and non-MS); 2) regional authorities within a state; 3) local authorities within a state; and, 4) bodies governed by public law. For the establishment of one EGTC official approval from the state where the seat of the EGTC is registered is required. The acquisition of the legal personality and the publication of the establishment is the responsibility of the Committee of Regions (published in Section C of the Official Journal of the European Union). The general mission of the EGTC is territorial cooperation to strengthen economic, social and territorial cohesion. This 'body' has a complex structure which will not be examined here in any detail. It is however worth of mentioning the following. The EGTC is still in its early stages of implementation, making it impossible to measure its achievements so far, however the creation of an EGTC has been maintained to bring benefit to both territorial cooperation and European integration (Spinaci & Arribas, 2009). There are a significant number of established EGTCs. By the end of 2013, 45 EGTCs were established in total, which include about 750 national, local and regional authorities from 20 different EU Member States (CoR, 2014, p.1). Between the end of 2012 and the end of 2013, nine EGTCs have been created. Compared to the six EGTCs created in 2012, this translates into a 50 percent increase in newly created EGTCs. The new EGTCs generally aim at creating an institutional framework for existing projects or programmes and therefore carry out their traditional functions (CoR, 2014, p.15). Such establishments should not be the goal in themselves but a means to reach other goals, such as long-term strategic developments, the management of public services, programme management, and such institutional build-up is expected to contribute to a legal strengthening of cooperation in a given area and to increase visibility and legitimacy of such cooperation (INTERACT, 2008, p.16). Therefore the EGTCs should also to be seen, first as platforms of cooperation, and secondly as legal bodies aimed at managing a specific action or project. An EGTC can be established to manage a specific action or project, including the coordination of a joint development and/or solving common

problems arising in specific areas (of a cross-border nature). The question of their role as a managing authority or body triggers another question on their financial sustainability. As legal bodies EGTCs must not engage in commercial profit-oriented activities, therefore, they should be established as non-profit entities. Their funding very much depends on the members' contribution and on the financial programs and project they manage and implement. The budgets of EGTCs vary depending on their composition, structure and objectives. What concerns the duration of EGTCs, is that most of the already established ones are of an unlimited duration; few EGTCs have as their general objectives the idea of lasting between 18 and 25 years.

It can certainly be said that the creation of new EGTCs and their increase in number alters the landscape of regional and local development. Figure 1 shows the geographical settings of the currently established EGTCs until November 2013, as well as projects, programming and networks. What we see is the creation of a new regional map of Europe, created by synergies and cooperation projects to foster integration in border areas and to work on their future development. This means that EGTCs trigger some important questions: Do EGTCs enhance territorial cohesion across Europe? And, which action on the ground and institutional incentives can make the EGTC a better lever for EU integration? In this context the definition of 'territorial cohesion' comes into question. The ECTP defines 'territorial cohesion' as: 'the reinforcing power of a territory's spatial qualities and synergies' (ECTP, 2008). Within the EU, territorial cohesion: 'is about ensuring the harmonious development of all these places and about making sure that their citizens are able to make the most of inherent features of these territories' (EC, 2008). What is clear and common are the objectives of the territorial cohesion policies. These include: territorial cooperation through newly functioning macro regions; the ensuring of territorial cohesion both within the strongest and the weakest regions and areas of Europe (in terms of economic power and stability); and, the focusing of policies according to different territorial settings, interests and needs in a format suitable for individual cases. With the establishment of cooperation between regions, and the foundation of cooperation bodies with a legal status, where states, regional authorities, public and private entities and associations are each regulated with different legislations and procedures, and are put together to negotiate, work and implement common actions, whereby a platform for dialogue can be easily created. The EGTC offers the possibility of getting both the state and the private sector together in one place to discuss important matters with a cross-border perspective. What is added-value, by

this action is the legal basis and freedom to act in border regions and the implementation of efforts and projects in the territories of interest, thereby creating common facilities, infrastructure and services for residents. This is a form of integration of the local and regional population, of the local and regional state and of private authorities in the management of local and regional (natural) resources which are in common. Integration poses the question of cohesion among different territories, and territorial cohesion is the objective of the EU according to the Lisbon Treaty. According to experts, these groupings represent 'new governance "contracts" of multilevel cross-border cooperation', which may possibly become 'creative engines for local development and deeper European integration' (Spinaci & Vara-Arribas, 2009).

The EGTC: EURO-GO

The border between Italy and Slovenia, was not only regulated by various international treaties that date back to the 1940s and 1950s, but also by a large number of declarations, agreements and institutional collaborations that have, since then, tried to define international relations and a legal framework for cross-border activities. From the foundation of the working community in the countries and regions of the Eastern Alps - Alpen Adria (Alps-Adriatic-Alliance), Italy and Yugoslavia (and now Slovenia) a large number of important international partnerships were included. The founding principle of Alpen Adria was to relieve the tension between what were then the well-separated areas of Eastern and Western Europe through international cooperation at a regional level. Even if the ethnic relations in this specific border area were sometimes characterized by antagonism, observers agree that cross-border relations were already in place by 1948 and have steadily increased over time, favoured by the treaties and agreements on mobility and cross-border trade (Del Bianco, 2008). Italy and Slovenia have implemented a number of projects with a clear cross-border value. Most of these programs were funded by the European Union and especially from the Community Initiative Programme Interreg I-II and IIIa. The Phare program, established in 1994 has allowed non-profit organizations and NGOs in the border area to carry out projects aimed at communication, mutual understanding and development.

With a clear euroregional structure in place, neighbouring municipalities from Italy and Slovenia begun to collaborate, with initiatives such as the establishment of a single office, and the collaborative project of

the three administrations. They established a European Grouping of Territorial Cooperation which represents an important step forward, compared to previous cross-border initiatives and commitments. The EGTC was established on the basis of the Regulation (EC) no. 1082/2006 and the Regulations of the Republic of Slovenia on the establishment of a European grouping of territorial cooperation (OJ No. / 31 8:09 / 11) and by the Law of the Republic of Italy no. 88/2009 of 7 July 2009 on the adoption of Regulation (EC) no. 1082/06. Preparatory work for the establishment of the EGTC began at the end of 2009, when the working group began to analyze Italian-Slovenian EU legislation and the regulations of the respective states. They followed the negotiations on the seat, organs, and methods of operation and the preparation of documentation for the establishment of a Convention and Statue). In early 2010, the decisions relating to the constitution were approved by the respective municipal councils of the three municipalities (Gorica, Nova Gorica and Šumpeter-Vrtojba) as co-founders. On 19 February 2010, the mayors of the three municipalities in Gorica signed the Convention on the establishment of the EGTC. The Slovenian government approved the establishment of the EGTC in June 2010, and the Italian Government gave its approval in May 2011. This EGTC was established under the official acronym "EURO-GO" and was registered as a legal entity on September 15, 2011, being recognized as non-profit association of a juridical nature operating under the public law of Italy and Slovenia, with a legal seat in Gorizia, Italy (European Grouping of Territorial Cooperation GO). The first meeting of the Assembly was held on February 3, 2012 (European Grouping of Territorial Cooperation GO, 2013). The main focus areas are: energy, transport, healthcare and welfare, urban planning, cultural heritage and sports and youth policies. Very small in size, it comprises a geographical area of 365.11 km2 with 73,750 inhabitants (See Figure 2). Its structure is composed of an assembly, made up of 14 members: 7 Slovenian and 7 Italian, with a President and Vice-President, a Director, six Permanent Committees (transport, energy, health, culture and education, urban planning and sports) and a Board of Auditors. The EGTC organisational structure is shown in Figure 3. The start-up costs of this body were divided among the Italian and the Slovene municipalities; 50% of the start-up fund was covered by the Municipality of Gorizia and 50% by the two Slovene municipalities. This EGTC had a small budget of 40.000 euro in 2012 and 2013. The participation of other public institutions is open and sanctioned according to a previous decision taken by the EGTC Assembly. All EGTC bodies have two working languages and their work is bilingual, in Italian and Slovene.

EURO-GO, according to the action plan passed last year, focuses on several aspects related to the promotion of tourism, cooperation between health structures of the municipalities of Gorizia and Šumpeter – Vrtojba, the revitalisation of rail traffic at the crossroads between the three municipalities, coherent and coordinated sustainable transport systems in the transport of goods, and the economic revitalization of the region. These thematic areas are coordinated by specific committees which have already started to implement projects (The European Grouping of Territorial Cooperation GO, 2013). The committees work with a view to the future 2014-2020 programming and with the main aim of attracting funds for the cross-border area of Gorizia, Nova Gorica and Šumpeter-Vrojba, and realising joint projects for the benefit of the peoples of both sides of the border. In order to select the pilot projects to be proposed for funding this EGTC applies the following criteria: 1) The relevance of the project proposals with respect to issues of territorial interest; 2) the internal Consistency of the project proposal; 3) and, the feasibility of the project itself and with respect to the programming framework for EU funds in 2014 – 2020.

EURO-GO represents the only example in Italy and almost the only example of Europe, which spans three small communities and strives to be an ideal laboratory for the practical application of cross-border instruments that the European Union offered in the programming period of 2014-2020. It is seen as the pilot case in building the joint and sustainable development of an urban area composed of three towns within the framework of the meeting of the Coordination Committee of Ministers of Italy and Slovenia, on 27 May 2014, in the "Joint Declaration", signed by the Ministers of Foreign Affairs Erjavec and Mogherini.

Concluding Remarks

Scholars have questioned and analysed the transformation of border conflicts, in terms of the meaning and significance of borders for those who live in the border region or for the political elites. They have also considered: the role and contribution of the integration process to such developments, as well as the potential role of an association in a form of membership, and the role played by specific actors (local, regional, national and European) in integration processes (Diez, Albert & Sletter, 2008). What is interesting is that their cases demonstrate that integration processes in the EU do have a positive effect on border conflict transformation and yet there are also circumstances

in which the impact of integration can hinder cross-border cooperation and lead to the introduction of new conflicts in a border region (Diez, Albert & Sletter, 2008, p. 3). This chapter did not analyze the relation between border conflicts and integration processes, but it provided a general introduction to the reasons for the institutionalisation of cross-border initiatives and structures which go back to preventing conflicts in border areas. Studying and analysing borders today within the EU and along the external borders of the EU goes beyond the issue of territoriality and the securing of state borders. A new meaning has been given with EU regional policy and territorial cohesion where territoriality has a secondary significance. The study of borders has a new dimension which goes towards analysing peoples' behaviour, networks and activities across borders, and the possibility of seeing borders as points of interaction and not as limits and visual and imaginary walls. The central argument nowadays focuses on the question of how borders can be used to facilitate and integrate different societies and to foster local and regional development. The focus is now on how to cooperate in order to build partnerships for mutual progress and economic growth across borders. In this context, this chapter has illustrated the cross-border cooperation initiatives as instruments used to achieve such goals. In this chapter, particular emphasis has been given to one instrument used for cross-border cooperation, the European Grouping of Territorial Cooperation. Populations living in border areas can realise their objectives and accomplish their economic and social interests with the assistance of the various financial instruments available, however what the EGTC aims to offer on a territorial level is a more sustainable structure for cooperation, having a solid legal basis which secures in the short or long term (depending on its duration) implementation of various projects with cross-border impacts. A number of EGTC states clearly insist that the major role of the EGTC is to implement cooperation projects (Committee of the Regions, 2014), and as such, their use could be especially important where projects focus on the economic and social development of a specific area or region. Some, however, perceive that such Euro-regional structures, lack sustainability; for, once the function is no longer necessary and useful, it becomes a possibility that it will disable its functionality (Gasparini & Del Bianco, 2008).

Also, in this chapter, an example of cross-border cooperation was presented, illustrating the applicability of the EGTC as an instrument of cross-border cooperation in practice. Even though only a part of the EU Regional policy was explored in this paper, it can be argued that this policy offers a great

potential for integration measures mostly from an economical point of view, establishing links and networks between territories. Cross-border cooperation is essential for the creation of synergies of growth and innovation and it is especially important for the newly entered EU states, as well as candidate and potential candidate countries and the strengthening of the EU's external borders. As one particular case, the cross-border cooperation between the three municipalities in the Upper Adriatic Region in this paper is generally seen as successful. The Municipalities of Gorizia, Nova Gorica and Šumpeter-Vrtojba have considered the EGTC as the most suitable European instrument of territorial cooperation to further develop their mutual cooperation, starting back in 1964 when the first meeting between the municipal administrations of Gorizia and Nova Gorica was held (Pettarin, 2011). A SWOT analysis conducted by Gasparini and Del Bianco (2008), indicates that the cooperation between Italy and Slovenia is seen as being very positive. Strengths have been identified in the areas of: economic cooperation, institutional relations in the social and cultural sphere, and in the free movements of persons and goods. On the other hand, what concerns the mutual understanding and social integration is that weaknesses are present in the everyday relations across borders, and the still present linguistic barriers which very much influence everyday interaction of the local population across the border. A cross-border instrument, such as EGTC EURO-GO pays more attention to the revitalization of the border area through the bridging of local authorities in different sectors. The future development and results of this instrument depend very much on its members, on their joint initiatives and willingness to work jointly on implementing and accomplishing their common interests and needs and to work together for improving the quality of life for the people living in the targeted cross-border area.

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Figures

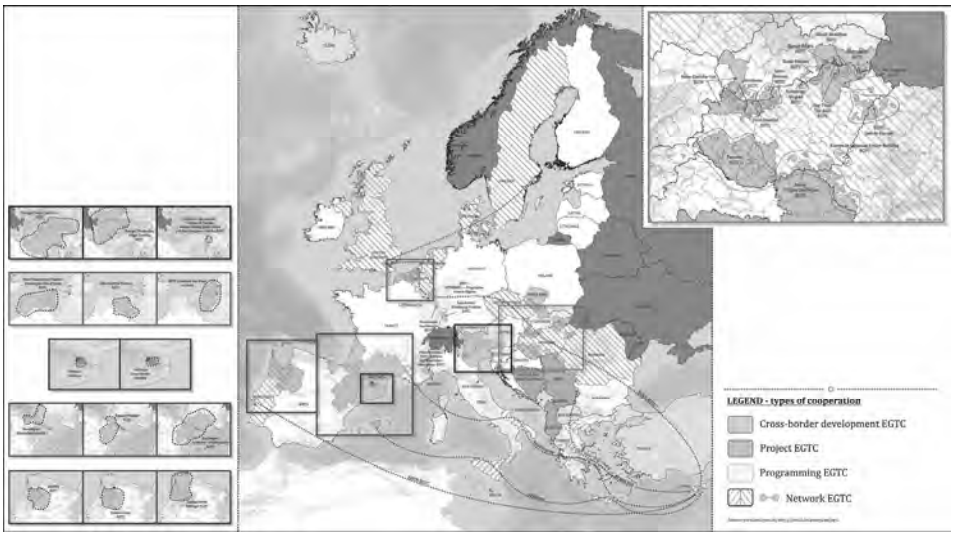

Figure 1: EGTCs in Europe (November 2013) (CESCI, 2013)

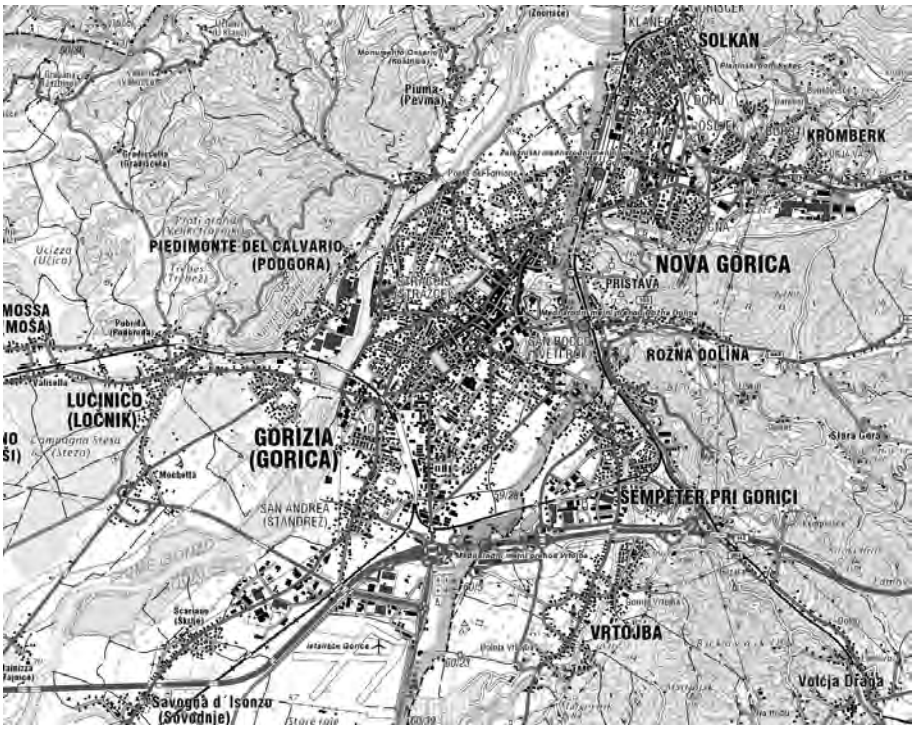

Figure 2: EGTC EURO-GO territorial area territorial area
(Source: Municipality of Gorizia - www.comune.gorizia.it)

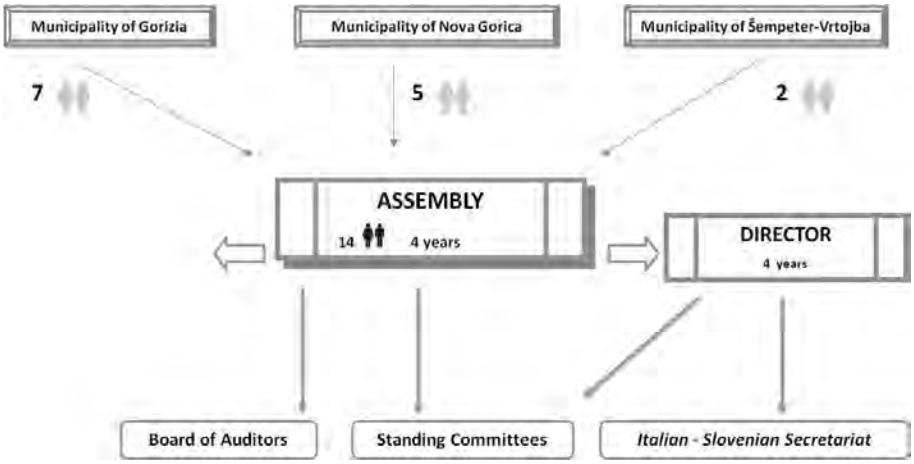

Figure 3: EGTC EURO-GO bodies
(Source: Figure elaborated by the author on the basis of the Statute of EURO-GO)

Fostering European Education

The European Higher Education Area (EHEA) and its Prospects

Zlat R. Milovanovic, Ilijana Petrovska

Abstract

Since its creation in 2010, the European Higher Education Area (EHEA), as a part of the Bologna process, has achieved many successes on the way to the future integration of Europe as a whole in the field of higher education. Most of its 49 members have adopted and implemented reforms of higher education, having in mind sustainable development, a knowledge based society, higher employment, innovation and social cohesion. Our paper is divided into the following four parts. In the first part, we describe the future EHEA through its basic documents adopted by the Ministerial conferences of participating states, as envisioned in the Bologna declaration of 1999. The second part deals with higher education in the Republic of Macedonia – a participant of the Bologna process since 2003. The Macedonian Law on Higher Education of 2008 is consistent with the Bologna process, but deals insufficiently with higher education mobility –one of the main themes of the 2015 European Ministerial Conference in Yerevan. The third part deals with good practices in the implementation of the Bologna principles in various parts of Europe and beyond. Macedonia, like other nations needs a mobility strategy. Will Macedonia and other countries be able to have 20% of their student body spend a part of their study abroad by 2020? Only with difficulty. The question that remains is, what can be done about it? The fourth part contains some answers to the mobility conundrum by providing recommendations for the faster growth of inbound and outbound mobility. The recommendations apply to the EHEA and its member states. The methodology used includes: reviewing relevant documents; using UNESCO and EU statistics; and semi-structured interviews with Macedonian graduate students, colleagues and state officials. These are, in part, a basis of the recommendations.

Keywords: European Higher Education Area, Bologna process, higher education mobility, foreign students inbound, foreign students outbound, quality of education, higher education in Macedonia, good practices in Europe and beyond, EU exchanges of students.

The EHEA: What is it About?

The EHEA was born out of the Bologna process, in March 2010, at the Budapest-Vienna Ministerial Conference. It was proclaimed by the Ministers of Education of European countries as a wider European integration effort. Achieving the EHEA within all of Europe is the main objective of the Bologna process itself. Today, there are 49 participants (48 countries plus the European Union), and consultative members that include: the Council of Europe, UNESCO, the European University Association, and the European Students' Union. The Bologna process is to ensure more comparable, compatible and coherent systems of higher education among participants by the year 2020. We are talking about an area containing some 10,000 institutions of higher education, with about 36 million students. The EHEA represents a new model of higher education organization and, though it is not yet a completed project, it already has influence beyond Europe in other areas of the world.

The reforms of higher education within the European area cover many institutional, instructional, economic and social aspects. Recognition of national qualifications at the tertiary level has facilitated international exchanges with such achievements as the European Credit Transfer System (ECTS), the Diploma Supplement (DS), the European Standards and Guidelines for Quality Assurance (ESGQA), and the standardization of university degrees (3 + 2 + 3 or similar).

Our focus here is on international openness and mobility within the EHEA, which should create a single market in education and at the same time, increase considerably exchanges among students, faculty, researchers and administrators in Europe.

A creative, innovative and integrated Europe should find ways to implement existing agreements and declarations within Europe as a whole. The EHEA of the future should be open to all Europeans of the future without distinction – as well as to non-Europeans. The remaining barriers to study abroad should be reduced and completely removed, achieving a liberalization similar to that of world trade. The current announced goal of 40% of Europeans between the ages of the ages of 30-34 having a tertiary education is clearly, given current trends, but a first step. Borders should be wide open to those seeking or imparting knowledge across Europe. Free circulation of bona fide teachers, students, researchers and administrators should be a feature of the full autonomy of institutions of higher education. Additionally, financial incentives and arrangements should be developed to promote this. In order for

a Europe of knowledge to become a reality, the EU and individual European nations must recognize academic mobility as a key priority and provide the budgetary allocations needed to support that assessment.

At the Louvain-Louvain-la-Neuve Conference, the Ministerial Communiqué called upon higher education in Europe to "internationalize their activities and to engage in global collaboration for sustainable development" (The Communiqué of Louvain-Louvain-la-Neuve, 2009). "We believe that mobility of students, early stage researchers and staff, enhances the quality of programs and excellence in research; it strengthens academic and cultural internationalization…Mobility is important for personal development and employability, it fosters respect for diversity and capacity to deal with foreign cultures. It encourages linguistic pluralism, thus underpinning the multilingual traditions of the EHEA, and it increases cooperation and competition between higher education institutions. We call upon all countries, to increase mobility, to ensure its high quality and to diversify its types and scope." (Communiqué of Louvain-Louvain-la-Neuve, 2009). By 2020, according to the same document, at least 20% of those graduating in the EHEA should have had a study or a training period abroad.

Opportunities for mobility should be created within all three degrees (B.A., M.A. and doctoral). Joint degrees, in partnership with two or more universities, as well as this mobility window, should become a more common practice. Among other things, states should facilitate the recognition of degrees, visa and permit issuance, the portability of grants and loans to students and faculty, a balanced flow of incoming and outgoing students, student standard infrastructure (dormitories, student restaurants, discounted travel), attractive teaching conditions for teachers from foreign countries, and the portability of retirement pensions.

At the Bucharest Ministerial Conference, three years after Louvain, the participants emphasized the "strengthening of mobility for better learning." To quote the original document: "Learning mobility is essential to ensure the quality of higher education, enhance students' employability and expand cross-border collaboration within the EHEA and beyond. We are adopting the strategy 'Mobility for Better Learning' as an addendum, including its mobility target as an integral part of our efforts to promote an element of internationalization in all higher education" (The Bucharest Ministerial Conference Communiqué, 2012). Once again, dual degrees are urged together with balanced mobility among countries, with the recording of formal and informal learning, incentives to mobility and the removal of any barriers.

According to the Ministers, international openness has a vital role to play in developing and maintaining open societies. Both internationalization and mobility will be assessed and further advanced at the Yerevan Ministerial Conference, scheduled for 2015.

In addition to Ministerial conferences and meetings dealing with EHEA, there is a Bologna Follow-Up Group (BFUG), which meets regularly to review the progress made and the implementation of measures taken. We should also be aware of the international agreements which have – or should have – an impact on the EHEA goals. One of the most important of these is the Convention on the Recognition of Qualifications Concerning Higher Education in the European region, adopted in Lisbon on April 11, 1997 and in force since February 1, 1999. Known as the Lisbon Recognition Convention, it has been ratified by 53 nations, including some outside the EHEA. The Convention stipulates that degrees and periods of study must be recognized unless substantive differences can be proven by the receiving institution. Students and graduates are guaranteed fair procedures under this Convention. Of particular interest is also the European Cultural Convention of 1954, adopted within the Council of Europe and later accepted by most European states. It deals with the facilitation of the study of languages, history and the civilizations of member states.

Case of the Republic of Macedonia and Prospects of Mobility

The case of the Republic of Macedonia has been a full participant in the Bologna process since 2003, although some of the changes in its Higher Education Law date back to the year 2000. The Ministry of Education is in charge of the implementation of the Bologna process, with a national Bologna Follow-Up group and Coordinator. There is also a National Group for the Promotion of the Bologna Process, as well as two Inter-University Conferences of Macedonian Universities (public and private).

Most provisions of the Bologna process have found their place in the Law of Higher Education of 2008 (with amendments), and other legislation. There are about 65,000 students in the Republic of Macedonia. An excellent *Report on Higher Education in the Former Yugoslav Republic of Macedonia* – prepared by the National TEMPUS Office, gives a full overview of the changes of law already implemented (Report, 2011).

An earlier report, prepared by the Ministry of Education in 2005, reported on mobility between 1996 and 2005, and placed emphasis on the

mobility of teachers and staff. In that period, 350 teachers and staff members were exchanged to and from Macedonia. In that report, the main obstacles to mobility are listed as: The high cost of education in Europe, visa and residence permits and the difference of languages from country to country.

Some exchanges have occurred between Macedonia and EU countries through such programs as the already mentioned TEMPUS program, and also Erasmus Mundus. Saints Cyril and Methodius University conducted 115 TEMPUS programs in 2007, while Saint Kliment of Ohrid University conducted 48, South East European University conducted 16 and the State University of Tetovo conducted 12. The first three universities had 62 Erasmus Mundus partnerships in 2008 and 65 in 2009 (National TEMPUS Office Report, 2011).

In 2013, the Macedonian Government established a National Agency for European Educational Programs and Mobility. This new Agency, gathers together non-governmental organizations and institutions of higher education, and is charged with promoting exchanges with the Erasmus + program, started on January 1, 2014. By signing the Erasmus + Charter, Macedonian institutions and organizations will have the chance to apply for and participate in various exchange programs. The Erasmus + programs have been expanded to include, in addition to education and training, youth programs and sport. Life-long education is included as well. A new EU Regulation of December 11, 2013, in Art. 24, lists the countries which can participate in the Erasmus + programs (i.e. the program countries). It includes: EU member states, EU acceding and candidate countries, EFTA states members of the EEA agreement, Switzerland under a new bilateral agreement (to be concluded), and countries covered by the European Neighborhood Policy which have concluded bilateral agreements with the EU (Regulation 1288/2013).

The new EU policy will pave the way for more collaboration and partnership between Macedonian, EU and other universities. The Macedonian Agency was certainly needed and hopefully, will coordinate international exchanges well. With a national agency, private and semi-private universities should have a better chance to participate in many more exchanges than at present. Students should be better informed about the available programs.

Otherwise, Macedonian universities already have bilateral agreements on exchanges and many international partnerships. According to 2012 UNESCO statistics, there were 5,166 Macedonian students abroad, 0.1% of the internationally (globally) mobile students in that year. The choice destination countries of Macedonian students were Bulgaria, Germany, Italy, Austria and Turkey (in that order). Then followed by Slovenia, U.S.A. (274 students),

France, Saudi Arabia, Serbia, Norway, the U.K. and Albania. With 1,431 foreign students in Macedonia, the largest number came from Serbia (954), Albania (322), Bulgaria (66), Turkey (32). Fewer than ten each came from Croatia, Montenegro, Canada, Slovenia, Switzerland, Jordan, Philippines, Bangladesh and Denmark.

At the St. Cyril and Methodius University, the largest public university, 1,1% are foreign students. At South East European University (SEEU), the percentage is 1.5%, while University American College Skopje has a foreign student population of 2.2%. Among those, UACS receives a few American and Australian students who are mainly of Macedonian descent. Some of the UACS students are bi-national, counting as Macedonian. Among them, there are European citizens as well.

The number of teachers exchanged remains relatively limited. Macedonian teachers, even those who speak foreign languages well, are not likely to go to teach abroad even when a chance presents itself. Those who go, may miss promotions at their home university, are not likely to have adequate health insurance, cannot have their stay abroad count for retirement, or may have to confront higher costs of living. Foreign teachers, likewise, do not come to Macedonia easily, although they are satisfied when they come. Not unlike foreign students, they may encounter visa problems. There is no legal provision for their full time employment, pension, or healthcare. Expenses may also be a problem.

These obstacles and barriers should be overcome. Macedonia needs more foreign students and foreign teachers; it also needs more of its own going abroad. Macedonia has serious potential but it is not taking advantage of it.

The Government of Macedonia needs a strategic approach to these issues. The questions are: How will Macedonia send 20% of its university students to study or spend a part of their studies abroad? How will Macedonia send more teachers abroad? How can Macedonia employ more foreign professors? In building that kind of strategy, the Government needs to consult: universities and their representative bodies; teachers' and students' organizations; NGOs; businesses and chambers of commerce; and international organizations. A strategy on mobility and further internationalization should be developed before the Yerevan Ministerial Conference in 2015.

Best Practices to be Taken into Consideration

We refer here to the implementation of tomorrow's "Europe of knowledge", one that is highly creative and innovative. By combining the research results of researchers from European universities and research institutions, Europe can improve its global position. Combined with the European Research Area (ERA) – not covered in this paper – the EHEA can gain the edge over most other areas and be a leader in a world of technology and scientific development. There is no time to wait, Europe must compete with fast growing areas.

Back in 2007, Milovanovic proposed the creation of an International University Center for European and Balkan Studies in Skopje, which could eventually evolve into a "center of excellence" (Milovanovic, 2007). It was easier said than done. As of 2014, there is still no such center in the Balkans, although several have been established or reorganized in other places. Just a few examples include: The EU center at Jagellonian University (Krakow), European Studies center at St. Anthony's College (University of Oxford), Center for Russian, Central and East European Studies at the University of Glasgow, EU Center of Excellence-University of Pittsburgh (USA), EU Center of Excellence-University of Texas in Austin (founded in 2012) and various others. It would be wise for the Balkans to establish a similar center with a few partners.

Institutional collaboration across borders and the joint granting of degrees is another best-practice worthy of emulation and expanded implementation. The Warsaw University of Technology (WUT) Business School was created in 1991 as a joint venture of the HEC School of Management Paris, London Business School, Norwegian School of Business and Business Administration and the first WUT. It has been offering a full MBA degree in English. France and Germany established a Franco-German University in Saarbrucken in 1997, which offers a dual degree in French and German: There were 4,500 students at this University in 2007-all bilingual. In 2010/2011, a dual Ph.D. program opened at the University of Utrecht (The Netherlands) and the University of Lille (France). Its degrees are issued by both the Frans-Nederlandse Academie in Utrecht, and the Réseau Franco-Neerlandais in Lille.

Law students from Spain can spend a year at a law school in France, where they study the French legal system for a year, while French law students can do the inverse in Spain – studying the Spanish legal system. Study in France is in French and Spanish in Spain. The participants gain the knowledge of the two legal systems and the two languages which they can use professionally.

Such programs exist in French-English, French-German, French-Italian and other versions.

The Saints Cyril and Methodius University Law School Justinianus I, participates in a network of legal studies of 18 law schools in the Balkan region. This program is mainly conducted in English. University American College Skopje (UACS) participates in a business graduate program of the "Resita Group", that is a group consisting of Universities from: Macedonia, Serbia, Romania, Bulgaria, Montenegro, Slovenia, Croatia, Albania, Bosnia and Herzegovina, Germany, and Austria.

In early 2014, Macedonia concluded an agreement with the Organization of American States (OAS) to sponsor the studies at the St. Paul University in Ohrid for 15 students from the Americas. Many governments have agreed on similar programs, including direct exchanges. Memoranda of understanding (MOUs) of exchanges and scientific cooperation have been most recently concluded between the Saints Cyril and Methodius University in Skopje and the University Akdeniz in Turkey; and between the same University in Skopje with the Ben Gurion University of the Negev, Israel. UACS has bilateral agreements with an American university in Brussels (Vesalius University), East-Carolina University (USA), New University in Bulgaria, University Paris Dauphine, Gazi University in Ankara (highlighting exchanges of groups of architecture and design students), and several more universities. South East European University (SEEU) has bilateral agreements and MOUs with universities in the U.S., U.K., the Netherlands, Turkey, Albania etc. By joining a partnership with nine Western Balkan universities and ten EU universities, SEEU students and teachers now have access to the BASILEUS program (now BASILEUS V) – one of the main EU programs in the Balkans.

The University of Lorraine (France) has joined a Grand Region (GR) – a regional conglomerate of universities that spans: Sarre and Rheinland-Pfalz in Germany, Luxembourg, Wallonia (Belgium), and North Eastern France. This example indicates the possibility of broader regional collaboration. The University of Lorraine has also signed a bilateral agreement on exchanges with Kazakhstan, and established a Center for Chinese Studies Confucius in Nancy.

The Canadian Government is now launching its new International Education Strategy that includes a focus on recruiting students from seven priority markets: Brazil, China, India, Mexico, North America, the Middle East and Vietnam. The plan calls for doubling Canada's international student population by 2022. The number of foreign students currently enrolled in Canada is 265,000. According to the Canadian Minister of International Trade,

Edward Fast, the Government of Canada sees international education as a key driver of jobs and prosperity in every region of Canada (International Educator, 2014).

The Russian Government is now introducing the possibility for its university graduates to go abroad for their master's degree or doctorate. This will apply to those students who plan to study at universities on The Times Higher Education List, the Jiao Tong or Symonds ranking list. Some 3000 students will receive scholarships over the next three years, according to Russia's Strategic Initiatives Agency (International Educator, 2014).

The U.S. Institute for International Education (IIE) has recently announced a new effort to increase the number of students from the U.S. studying abroad. The program called "Generation Study Abroad" aims to double the number of undergraduates going overseas annually by 2020 (Salisbury, 2014). George Mason University, Virginia, has accepted the challenge and set a new one, they want to quadruple the number of their students abroad.

In general, student mobility will increase throughout the next ten years, according to the British Council's, "The Future of the World Mobility of Students," published in October 2013. This report predicts that by 2024, 3.85 million students will seek higher education outside their own countries. The main beneficiaries of this trend will be the U.S. and the United Kingdom. The U.K. is a part of the EHEA. If the EHEA really works, it is likely to be the main beneficiary.

According to the OECD Report (July 2013), international student mobility is growing and changing its facet. The number of international students has reached 4.5 million (i.e. more than in the British Council's projections. The largest number of tertiary students are from China, India and South Korea, while Asian students count for 53% of all international students. Looking at receiving countries, the U.S. has still the largest number of foreign students, followed by the U.K., Germany, France, Canada, Japan, Russia and Spain. Australia, New Zealand, and Brazil are the new markets. The factors of choosing a country to study in are: the language of instruction, tuition fees and the cost of living, the government and immigration policies, other incentives (Report Education at a Glance, OECD, 2011). One of the tools to remove obstacles is to measure the problems, the support system and its impact on society – or the "mobility environment" (EU Mobility Scoreboard Report, 2014).

Prospects: How to Reach the EHEA?

"The new millennium, into which we move and which our children will inherit, confronts us with a bewildering mixture of promise and threat. On the one hand, we glimpse the promise of revolutionary advances in biomedicine, communications, information technology, alternative energy sources, new materials, automation and globalization; on the other hand, we contemplate the looming threats of balkanization, tribalism, terrorism, sectarianism, North-South inequalities, hunger, the intricate balance between population, resources and environment, the challenge of sustainable development and the relationship of all these to the future of traditional nation-states. And if the balance between promise and threat is not clear, what **is** clear is that the essential key – to human wellbeing in this daunting new world is knowledge" (The Glion Colloquium Declaration, 1999).

Today, only 14 years into the millennium, we may be confronted with a return to Cold War patterns in international relations, which, if the trend continues, could seriously affect the EHEA and global internationalization of education. The two parts of Europe may get isolated from each other, with the Bologna process being split into two clearly separate fields; The West, with some 4,000 institutions of higher learning and 20 million students; and The East, with some 6,000 institutions and 15.5 million students.

At this stage, it is still not the case. Many countries, not yet fully integrated but aspiring to integrate with the West, may find themselves in the excluded part. Macedonia is a case in point – as are some neighboring countries. While close to a number of EU countries, Macedonia maintains strong relations with some countries in the East. If Macedonia is to preserve its special position, it should definitely support the Bologna process in Europe as a whole.

Finding itself between the West and the East, Macedonia may become a bridge between the two. It is in Macedonia's interest to join the EU and, at the same time expand its educational exchanges with the former Yugoslav republics, regardless of their status in EU accession and also with: Albania, Turkey, the Russian Federation, Ukraine, Moldova, Armenia, Kazakhstan, Israel, Jordan, and other Mediterranean countries. It is also in Macedonia's interest to increase its collaboration with the U.S.A. and Canada, Australia and New Zealand. Greece is in the EHEA but has not signed the Lisbon Recognition Convention. On the other hand, Australia, New Zealand and Israel are not in the EHEA but are the parties to the Lisbon Recognition Convention. These are

special cases. Macedonia wants to have students and teachers from everywhere, and be able to send its students everywhere. This attitude defines the future strategy.

Another issue to be worked out is the issue of how to achieve the goal of 20% of all students to have spent at least a part of their studies abroad? It amounts to about 13,000 as compared with approximately 5,000 at present. How will states achieve balances between outgoing and incoming numbers of students per country? If Macedonia is to send 13,000 students abroad, it should be able to receive 13,000 foreign students in Macedonia. There should be a strategy on mobility as well as on other issues.

Frank Vanderbroocke, the President of the Flemish Government who was also in charge of education at the time of the Louvain-Louvain-la-Neuve Conference, wrote that a sequel to the Bologna process is necessary. In other words, some revision of different definitions, standards and goals (Khem, 2009). Without going that far, the Yerevan conference should look into improving the prospects of the EHEA in its present form. Unless there are some unexpected changes, most European ministers of education will be more inclined to proceed that way.

Having interviewed: graduate students; colleagues from several universities, including foreign ones and those officials involved in the exchanges, as well as some diplomats and political leaders; and, having looked at the available documents, writings and reports, we suggest a number of recommendations for future steps. Many issues discussed in this paper have been covered while some remain to be considered further.

Recommendations

R1. The existing Bologna process should be protected by the university community and governments and divorce itself from political infighting.

R2. Keep the standard of achievement as high as it already is.

R3. Mobility within the Bologna process should not count as immigration, if the participants are from the EHEA and not intending to immigrate to the host country.

R4. Diplomas and diploma supplements should be accepted in English or French without translation, as well as in any other official language of a country in the Area. Notarial or court approvals should not be required for all bona fide participants in the process. The principles of the Lisbon Convention should be implemented in the interest of the student.

R5. Countries with a higher frequency of participation in the mobility process should also negotiate and conclude bilateral agreements on the mutual recognition of diplomas. Regional agreements are a good practice too.

R6. Within the EHEA, state authorities should establish *digital passports for the use of students, teachers, researchers and administrators.* These should be uniform and contain basic personal documents, such as a: birth certificate (in its original language), diploma and diploma supplement, c.v. of the student, a document showing that the student has been accepted by the host university of an EHEA country, a bank statement, financial aid information and – if necessary, a visa document. Such a digital passport should include additional diplomas and diploma supplements as they are obtained and job appointments. This would entitle a student of country A to legally enter country B, and become a student there. It would be accepted within the whole Area.

R7. The visa system should be liberalized and simplified for the purposes of the bona fide participants in the process. Those intending to spend a year studying in an EHEA country should be accepted without a visa. For study periods longer than a year, the visa should be issued without any complex procedures, within a month. Instead of having to present a visa application with an inordinate amount of pages (the current situation for Macedonians trying to study abroad), the digital passport should be sufficient. The visa issuing authority should issue its visa in the real passport and the digital passport. The registration with state authorities in the host country should be done by the university administration of the host university.

R8. Financial aid and financial operations in the host country should also be simplified, in order not to obstruct the increase in student numbers. Financial aid vouchers, university students' and teachers' bank accounts and credit card systems should be further simplified and developed. In the case of grants or scholarships from governments, international organizations or companies, these should be made easily transferable within the EHEA. Banks should also use the digital passports as their primary source of information.

R9. Life-long education should be encouraged and the procedures should be developed, along the same lines as for international students. Somebody who, at his/her age of 65 who decides to study Turkish in a foreign country, should be treated as a regular part-time or full-time student.

R10. Foreign and domestic students should be able to compete on equal basis for scholarships, research grants, fellowships, assistantships, part-time jobs etc.

R11. Foreign teachers should have the same status as domestic teachers within the EHEA. Their years of service abroad should count towards their retirement in their own countries as well as in their host countries. This should apply to benefits of other kinds (vacation time, sabbaticals, official travel, etc.).

R12. The European Cultural Convention of 1954 should be implemented in creative ways. Initially, each country should open at least two cultural centers for the study of language, history and civilization of two countries in the Area. This could be done through bilateral agreements.

R13. Countries of the EHEA should encourage the study of languages of the EHEA, for cultural and practical reasons. For instance, the study of French should be encouraged in schools and at universities, not only because it is an official language of the Bologna process but also as somebody speaking French can study in France without tuition, get a European or an international organization job, etc. One can study in Russian not only in Russia but in Belarus, Ukraine, and some ten other countries, also without tuition at various universities. There is no tuition for foreign or domestic students in Norway or Finland, where one can study in English as well. International students also study: Chinese, Japanese, Arabic in addition to German, Spanish, Italian and many other languages. Within the EHEA, university graduates should know at least two languages in addition to their own.

R14. The Council of Europe should establish a central Office for University Exchanges. The Center should initially facilitate exchanges between students of EU and non-EU countries. As for the EU, it has a developed system of programs such as Erasmus +, Leonardo da Vinci, Comenius, Grundtvig, Youth in Action and Jean Monnet. Similar programs should be created elsewhere in the vast EHEA.

R15. Student standard-of-living issues should be reconsidered, especially since higher numbers of students are expected to travel. Student housing should be improved in many countries, including by governments and universities themselves. The Cité Universitaire in Paris is a good model as it combines the effort of the governments of many nations, the French Government and universities. Student restaurants are also needed, as well as medical facilities, insurance, sports centers, and cultural facilities.

R16. Student governments and foreign student participation in the work of university/faculty institutions is also a path to be followed. Many European countries already implement this system. NGOs, companies and other stakeholders should also participate – whether domestic or foreign.

R17. The European University Association gathers European universities and represents them. Students have their political or professional organizations. There are, literally, hundreds of organizations "that count", many as consultative members of the ECOSOC, UNESCO, the European Council…European universities, as well as teachers, students, researchers and administrators should increase their participation in such bodies. Many Europeans and Higher Education Institutions from Europe are members of the U.S. National Association of Foreign Students Advisors (NAFSA) .

R18. Further contacts and collaboration between the EHEA and other areas are needed, for example, initiatives with the Asian Area of Higher Education or the Inter-American Area – so as to work together in the World/Global field.

In short, we may conclude that, having all these things in mind, the mobility of university students, teachers, researchers and administrators should be given new impetus in Yerevan in 2015. It is up to members of the Bologna Community to continue with the EHEA, which is a noble, practical and a very necessary endeavor.

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The Accredited European University of Tomorrow: Accreditation, Creativity, International Recognition

Jeremy Cripps, Emil Gjorgov

Abstract

The "severe economic slump" in Europe focuses attention on the need for the European universities to adjust academic programs to global business needs for creative and entrepreneurial skills for the jobs of tomorrow. Information and communications technology (ICT) and massive open online educational resources (MOOCs) and to "allow for an increase in the effectiveness of education," and yet appropriate standards of accreditation for European institutions of higher education have been avoided by policy-makers. The opportunity to raise European higher education standards to global standards is being ignored. Five years ago EU Regulation (765/2008) provided for standards for accreditation to be set. Yet little progress has been made across Europe. The gap between standards promoting equity "by increasing the availability of knowledge" is nowhere greater than between the best Western universities and their counterparts in Eastern Europe. The European Citizens Initiative (EUCIS-LLL), recognizes sad inequities in European higher education. They do not provide "equal access" for all European undergraduate citizens to best practices. This recognizes the failure of European Commission policy makers to set appropriate standards of accreditation for universities in Europe. Progress towards a European Union Higher Education Accreditation Council similar to the US Council for Higher Education (CHEA) needs to be put in place. The Bologna process and the Lisbon process are seen to be making little progress towards such European Union accreditation standards. This chapter proposes five European-wide accreditation standards. The need is comparability "with the standards and quality of higher education qualifications," so that the value of university education can be evaluated. This review is important. There is an urgent need for unified European accreditation standards to provide a foundation for the future employment prospects of young Europeans in the global economy.

Keywords: University accreditation, higher education, EU Commission on Education and Culture, EU Commission on Employment and Social Affairs.

"In the EC we accord more importance
to a cow than to a hundred students…."
Agence Europe 1-2 Dec 1986

Introduction

Higher education in the European Union, a Europe of Knowledge (2014) has, ever since the 1987 Erasmus Decision proved to be a "continuous challenge" (Jansen 1998). Progress in the arena of European wide university accreditation has yet to prove the inevitability of gradualness (Webb, 1923). The early frustration as expressed by Commissioner Marin and reported in Agence Europe three decades ago remains. The European Union still accords more importance to Agriculture than to Education (EU Budget, 2010). The European Union carefully regulates agricultural production, even to the extent of protecting the geographical origin of a product. Yet the European Union has yet to come up with a set of agreed standards for the accreditation of European Universities.

There is wide recognition of the link between educational attainment and prosperity. Evidence from the 2010 OECD Programme for International Student Assessment (PISA) confirms "The High Cost of Low Educational Performance: the long-run economic impact of improving PISA outcomes" (2010). Nevertheless we know that "cash-strapped" governments even in the OECD have been "scrutinizing the nearly 5% of GDP they devote to education" (*The Economist*, 2010) and in many cases making cuts. Such is "the extent of austerity levied on the educational sector" that failure to achieve the EU 2020 goals of 40% enrollment in tertiary education is now assured (EU Policy Brief, 2012).

But not in the United States where, in the competitive world of international higher education, investment continues and the "USA is still No.1" (Washington, 2012). Indeed The Housing and Economic Recovery Act 2008 (42 USV 4501) actually provided $100 billion for education as a necessary investment in the success of recovery from the financial crisis. Increasing private philanthropy is traditionally the funding model for private education in United States universities, but is now being seen to become a major part of the funding model for public universities (Applegate, 2012). David Blinder, Vice-Chancellor of the University of California noted that with State funding having

dropped "we need to learn from the privates." This is in contrast to the funding model of higher education in Europe where philanthropy has had a history of limited involvement and where the European Union has largely seen institutional resources merely provided with "the right to seek Community funding" (Corbett, 2005).

The Importance of Appropriate "Accreditation"

Philanthropy and private funding are linked to a natural strategy. From the outset goals are defined and the donors "expect measurable results from investments" (Gose, 2013). The strategic goals of philanthropy in higher education, the deliverables, are expected to be aligned with the liberal arts and the outcome of providing real marketable skills to the next generation. This is in contrast to the views of the educational establishment in Europe which believes that curricula should be left to academics, business amateurs, rather than business professionals.

This philanthropy brings consideration of the role being played by the external independent accreditation of schools and programs in the United States. Typically philanthropic funds will be tied to gaining and maintaining appropriate institutional and program accreditation. Wide acceptance that colleges and universities are failing to keep pace with commercial development in the global workplace has generated United States-wide audits of programs to ensure continuing improvement in the quality of curricula and appropriate practical and not just theoretical instruction. Acknowledgement of "the Great Stagnation of American Education," (Gordon, 2013) underlines acceptance of the fact that 21st century American undergraduates may not be getting sufficient preparation and may not "perform competently in analyzing complex non-technical problems" (Bok, 2008, p. 8).

Graduation from an accredited program impacts on jobs and licensure employers. Therefore, quite rightly, there is an increasing partnering between universities and future employers. This is then noted and independently verified as "(accreditation) speaks to a sense of public trust, as well as to professional quality" (APA, 2012). Thus "one of the first steps any prospective student should take before enrolling in a college or university" (ACICS, 2013) in the 21st century must be to make sure that the school is accredited by the accrediting agency appropriate to the student's prospective career, and that the university employs faculty with real-world experience gained from employment in such a career.

It may well be that in Europe "higher education continues to be acknowledged as one of the primary policy issues" (Keeling, 2006). Yet we know that the Bologna Declaration and its process has stalled after its pompous initiation in 1990s. Uniform performance measures, comparisons of quality, and the essential concept of accreditation, of setting European standards, remain "fields of debate" (Keeling, op cit). From the perspective of students, the future generators of Europe's wealth, there should be cohesive accreditation standards to make the quality of higher education transparent and the people employed in education accountable so as to provide an appropriate prospectus for those undertaking tertiary education and therefore for the future prospects of the European Union.

The Value of Accreditation

The accreditation of higher education in the United States was developed "to protect public health and safety and to serve the public interest" (ACICS, 2014) and was initiated in the 1880s to focus on educational and admission standards. The early focus was on building credentialing capacity and facilitating the transfer of credits earned at one university so that they might be recognized by other universities. The early focus was regional, but by 1918 this had grown to a national focus and a federal effort to establish best practices for higher education. After World War II the GI Bill (1944) led to an increase in professional and specialized accreditation and in 1952 the US Congress recognized that non-governmental accreditation was the most reliable source for determining the quality of higher education and training and continues to do so. The setting of accreditation standards reflects three core values of higher education, all essential to academic quality:

- Institutional autonomy,
- Academic freedom,
- Peer and professional review (Eaton, 2014).

The real value of accreditation and the associated certification is the fact that the certification process "added value" to the institution (IAF, 2014). The value of a program is added by an accrediting agency in much the same way as the process of meeting ISO (International Standards Organization) and other international standards. Certification of accreditation assures stakeholders in an institution that the minimum standards of quality education, curriculum, faculty, facilities, and process are met. There is assurance that the institution has set up performance measures which ensure

continuous improvement. The findings of the IAF (International Accreditation Forum) survey "confirm that accreditation procedures are generating significant benefits and added value" and this is a key reason why hundreds of thousands of international students "see American higher education as the gold standard in the world" (Stanek, 2001). This is why "more than 820,000 international students came to US colleges in 2012/2013" (Chapell, 2013). In spite of the cost, this is why nearly 20% of all international students make the United States their education destination of choice (UNESCO, 2013).

The Purpose of This Paper

This paper is written to draw attention to the numerous challenges that impede the Bologna process to provide guidelines including a set of standards for the creation of independent accrediting bodies to accredit universities and higher education colleges in the European Union. First, it provides a reflection on the nature of accreditation standards. Then, followed by notes on the demand for transparency and accountability and a consideration of the problems faced by higher educational institutions. Consideration is made of the benefits which derive from institutional accreditation, to be followed by a description of five standards which might move the accreditation introverts in Europe to the more extravert approach being taken by universities in the United States and the rest of the world.

The Nature of Accreditation

University Accreditation of any Post-secondary school or University is generally considered to provide a formal published statement regarding the quality of an institution or a program following a cyclical evaluation. Such engagement occurs after conferral meetings and/or the exceeding of an agreed set of standards. Attention to the process is focused on the quality of management (Orsingher, 2006) and the primary nature of the institutional Mission and Strategic plan. Failure to do so will result in Mismanagement Styles and the ultimate demise of the institution (Adizes, 2004).

The responsibility for accreditation procedures, in the European Union, rests with "national agencies, voluntary associations, rector's conferences, inter-institutional networks, and professional organizations" (CRE Project, 2001). The reliance is an introverted self-assessment with outcomes confirming funding in a manner which fails the needs of students and closes

the academic administrative mind (Bloom, 1987). The emphasis is on facilities and bureaucratic statistics which do not include such outcome measures as the successful employment of student alumni and the level of salary a graduate may expect to earn from their tertiary education experience. In many cases stakeholders (students' families, future employers, local community participants) in the university are simply not considered.

Generally Higher Education Accreditation is seen to require:

- Standards set to determine fitness for purpose,
- Self-study by the institution under review,
- Financial viability and long term sustainability,
- External review by independent peers,
- External evaluation by independent testing services.

The accreditation process in Europe, as already noted, is generally delegated to or by the nation's ministries of Education. Research at the Institute of Sociology of the Academy of Sciences at the University of the Czech Republic is underway to survey, analyze, and make transparent the information processes which are related to "collecting, use, analyzing and disclosure" (Haskova et al., 2013). However there continue to be "barriers to the effective utilization of information" in the 28 institutions which were open to the 2013 survey. Barriers exist on both the institutional and a national level. One is reminded that transparency refers "to the principle of creating an environment where information on existing conditions, decisions, and actions is made accessible, visible, and understandable to all market participants" (Greuning and Koen, 1999). As Greuning also noted policymakers "become accustomed to secrecy" and are comfortable as it provides "the benefit of hiding their incompetence."

That is where the US accreditation system has overtaken Europe's individual accreditation process. Accreditation in the US is warranted by numerous agencies such as: the US Department of Education, the Council for Independent Education, the Council on Higher Education Accreditation (CHEA), and the 6 regional accrediting bodies. Their function is regulated by the Higher Learning Councils, build capacity, which provide transparency and accountability to potential customers for higher education in the United States.

Demand for Transparency and Accountability

The demand for transparency and accountability in higher education begins with the call from taxpayers to call government to account "for the productivity of knowledge workers" (Miller, 1996). The price of higher education is rising (Trombley, 1993) and it is clear that higher education will need to evolve to keep the cost of higher education affordable (Sreenivasan, 2013). In the absence of proper accounting for this intangible value, governments simply cannot track productivity and growth, and as a result European students are not provided with even a reasonable knowledge of the value of the higher education they choose to pursue.

The demand for accountability arises because the established "rules of the game" by which economic value has been determined "are being rendered obsolete by technological and social developments, to say nothing of business reality" (OECD, 1992). Furthermore, the value of an undergraduate degree is coming into question (*The Economist*, 2012). So the demands for transparency and accountability need to be seen in Europe in the context of:

- Falling levels of quality. "Since the Second World War, Europe has progressively surrendered its lead in higher education to the United States" (*The Economist*, 2005) The United States boasts 17 of the world's 20 top universities (*Shanghai ranking*, 2013), England 2 and Switzerland 1. This is a sad reflection on the quality of European universities and confirms that the European Union is failing its young,
- Rising levels of access to the Internet, university rankings, and the growing impact of the social media assessing university education,
- Competition from the private sector in higher education even in the face of national government reluctance to embrace the private sector,
- Increased acceptance of the need for accreditation by the most highly rated European higher education institutions.

Problems seen in the United States are equally evident in many regions of Europe, but while the response in the United States is open and stems from a pro-active approach, the response by European higher education institutions seem by some estimates to be closed and at best reactive (Gjorgov, 2006).

These problems include:

- Responding to the growing demand for transparency and accountability as the availability of critical analysis grows and is heard on the social media,
- The pace of change in the business world. The traditional humanities have not related to the revolution in business and "the most devastating criticism is that they are useless" (Swaim, 2013). In much the same way professional application programs are slow to adjust and this can be most easily seen in accounting where the top three accounting research journals have no practical application whatsoever,
- The funding of higher education. The defunding of higher education, particularly in the United States, is focusing attention on weakness in the university education model. The provision of free education at the tertiary level and the maintenance of education standards are not sustainable. Government plans to extend university education (as with the EU 2020 goals) without an appropriate level of funding guarantee a further reduction in the quality of the education available. This can be seen particularly in Eastern Europe,
- New university models. The success of 'for profit' tertiary institutions such as the University of Phoenix taken together with the expansion of online courses being made available by the majority of higher education institutions questions the traditional university model. Regardless of the apathy of European universities to online degrees "the number of job candidates with online bachelor's degrees has rapidly increased in recent years ….and acceptance of the degrees by employers is becoming more common" (Haynie, 2013),
- The expansion of "distance learning" indicates a return in many business areas to a Master Intern relationship to enable students to achieve the necessary mastery of subject areas and a return to professional "on the job" training combined with online courses to acquire appropriate credentials,
- Competency based instruction where the academically trained faculty begin to be replaced by a professionally trained faculty who can provide and share with students relevant real world knowledge and experience.

Accreditation provides an opportunity for higher education institutions to discuss these matters and to share in coming up with solutions to the problems, to take a pro-active approach to them and thereby underwrite the

future for jobs and growth in Europe. Educational systems in most EU countries are centrally regulated through governmental education standards, quality control and development standards and other restrictive regulation. By its very nature, decentralization leads to greater diversity among providers and hence greater school choice but also differences in standards among schools (European Commission, 2000). Therefore the importance of setting national standards and quality controls which although respecting those differences would ensure parents and students may acquire a minimum educational quality that is socially acceptable. Such 'protection' of customers is particularly important in the EU where transition and decentralization opened up the possibilities for diversity among local public schools as well as the establishment of private schools offering different programs and curriculum of study (Mojsoska, 2006).

Benefits from Accreditation

The overarching goal of program and/or institutional accreditation "is to ensure that the education provided by higher education institutions meets acceptable levels of quality" (USDE Overview, 2012). This benefit must be fully transparent and seen in the context of the diversity of degrees and institutions. Public knowledge, and particularly the knowledge available to prospective students, is certainly opaque across national borders and even within countries.

There are three other associated goals (Eaton, 2012):

1. Engendering private sector confidence,
2. Facilitating the transfer of academic credentials,
3. Providing access to government and private funds.

As already noted private sector confidence can lead to philanthropic contribution and the establishment of funding for appropriate first-class facilities. The transferability of academic credentials provides for student mobility and reliable credit transfers. This would lead to the same ease of credential transfer in Europe as is available in the United States. Access to additional government and private funds provides the opportunity for higher education to grow and contribute to the growth of jobs and industry in their respective geographical areas.

Five Suggested Key Performance Standards

1. Social Responsibility Standards

The need for European Quality Assurance and Accreditation standards to open up their institutional evaluation is already established. A Social Responsibility Standard recognizes the need to share the mission and strategic plans of the institution with stakeholders. Such a standard will disclose:

- The major accomplishments made in line with the institutional mission
- A list of high quality intellectual contributions to local and national communities
- Partnerships with industry
- Internships and other professional opportunities for students and the local community
- Social responsibility projects initiated and completed by the University.

Equivalent accreditations standards may be found published on the following websites:

ACBSP – Standard 1 ACICS – Criteria 2013, Title III Chapter 1
AACSB - Standard 1&2 HLC – Criteria 1&2

2. The Strategic Planning Process

Between 1993 and 2007, The Goldwater Institute (2010) tells us: "the number of full-time administrators per 100 students at America's leading universities grew 39%" while at the same time the number of employees engaged in teaching "only grew by 18%." The nature of this information is increasingly in demand on university campuses.

A strategic planning process standard would disclose:

- The current institution's strategic plan, not just the narrative but appropriate financial statements and non-financial goals,
- The procedures leading to the final strategic plan, with inputs from: Faculty, students, and administrative staff and their involvement in the planning process,
- Performance measures showing progress made on previously approved plans and their final outcomes,
- Details of pending plans and planned outcomes and deliverables.

But in the Europe Union the strategic plans of universities, when they exist, have yet to be widely shared with students, faculty and stakeholders.

Equivalent accreditation standards may be found published on the following websites:

ACBSP – Standard 2	ACICS – Criteria 2013, Title III
AACSB - Standard 3	HLC – Criteria 5

3. Student and Stakeholder Focus

This standard will be of particular interest to potential students and their parents. Concern inevitably focuses on whether present curricular adhere to the liberal arts concept, the classical concept of "liberales artes" that is "the provision of useful skills for free people" (Cicero, 55 BC). Education, arming young people "with useful arts that are indispensably necessary," was set down long ago by Aristotle (50 BC). Concern today is focused on provision in the curriculum of those "useful" arts that are indispensable necessary (Small, 2014). "Acquiring an excellent education is the best way not to be left behind as technology races ahead" (Brynjolfsson and McAfee, 2014, p. 197).

A student and stakeholder standard would disclose:

- The measurement of knowledge transfer preferably by third party organizations such as the Educational Testing Service and Peregrine Academic Services,
- The formal process of course learning objective review and the resulting changes made,
- The analysis of Comprehensive Learning Outcomes with multiple-year trend analysis,
- Curriculum links with business and the professions and the use of real world business techniques,
- Assessment and evaluation of non-curricular activities.

Increasingly, accredited colleges in the United States have turned to independent evaluation of knowledge transfer based on rigorous research by agencies such as the Educational Testing Service (ETS, 2014). More focused global educational support is available from Peregrine Academic Services and these independent assessments of business programs are designed to provide comparative data on which to base continuous improvement in college curricula.

Equivalent accreditation standards may be found published on the following websites:

ACBSP – Standards 5	HLC Criteria 3
AACSB – Standards 12, 13, 15	ACICS – Criteria 2013

4.Faculty and Staff Focus

A Faculty and staff focus standard would disclose:

- An analysis of contact /class hours and the overall faculty load,
- The deployment of faculty and staff with appropriate qualifications,
- Credentials appropriate to the subjects being taught, including real-world experience,
- An analysis of full-time and part-time employment,
- A comprehensive analysis of community and scholarly contributions,
- Details of Faculty and Administrative staff evaluation processes,
- Details of online and hybrid courses and trends in online coursework.

Faculty teaching business at the university level used to require academic qualifications. Professional qualifications were not considered appropriate. The trend particularly for business disciplines is to require relevant real world experience. So professional qualifications are now widely accepted for accreditation purposes and increasingly requested in advertisements by colleges that wish potential students to know that they will learn from "professors with real-world experience in your chosen field" (Colorado Tech, 2014). This trend has yet to be accepted by universities in Europe.

Equivalent accreditations standards may be found published on the following websites:

ACBSP – Standards 5	HLC Criteria 3, 4
AACSB – Standards 5, 6, 12, 13, 15	ACICS – Criteria 2013

5. Global Workplace Standard

A Global workplace standard would disclose:

- The methods of program delivery for graduate and undergraduate programs,
- The Common Professional Components of each course,
- Details of facilities and equipment including technical details of the availability of software made available to students and faculty,

- Details of Library and other research resources available to students and faculty,
- Enrollment procedures and other administrative features of the university,
- Details of special opportunities such as a Junior year abroad or other International experience.

Equivalent accreditations standards may be found published on the following websites:

ACBSP – Standards 6 HLC Criteria 3, 4
AACSB – Standards 4 ACICS – Criteria 2013, Title III Chapter 1-7

Conclusion

Allan Bloom (1987) first identified a separation of the disciplines across the curriculum and the impact that the lack of integration might have on students and faculty in an article "Our listless universities." Indeed he was prescient in identifying the disintegration of the business curriculum in particular so that subjects have been increasingly studied using theory in isolation and, perhaps ironically, he noted how "the heads of the young are stuffed with a jargon derived from the despair of European thinkers."

Businesses that collaborate with industry find the need to provide integration to promote student understanding. They are also noting how the business curricula, as with other curricula, have got lost, and are out of touch with relevant real world activity. Drucker noted carefully that "Management is thus what tradition used to call a liberal art" (Drucker, 2001). Real world managers draw on a knowledge resource that integrates: "all the knowledge and insights of the humanities and the social sciences" and of course the physical sciences. Therefore, in order to survive, university curricula need to integrate with business and provide students with knowledge relevant to the real world, the "soft skills," networking and so make management and other disciplines true examples of the liberal arts. European universities need to regain the lead providing young Europeans with the skills they need to prosper in the global world wherein they will make their careers and generate the prosperity of the European Union.

The trend in America's best universities is to become more transparent. University administrators had become accustomed to budget and strategic plan secrecy. Secrecy was attractive. Secrecy hid their incompetence,

but secrecy also provided a barrier to policy success and as The Goldwater Institute discovered "Administrative Bloat" was "the real reason for High Costs in Higher Education." This is also likely to be the case in the European Union. Accreditation brings transparency and accountability to the universities. Transparency and accountability are the buzzwords in education and they are needed; nowhere are they needed more at present than in the European Union.

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Teachers' Perceptions of Teaching English Grammar in Macedonia and Slovenia Today

Marjana Vaneva

Abstract

Grammar is usually that part of a language that is not enthusiastically included in the syllabus, and is, therefore, not comfortably taught by teachers, so that it is rather forcefully learned by students. The reasons for this are different: the teachers can feel they lack the proper education and experience to teach grammar successfully; sometimes the students' age and their language level can be determining factors in choosing how to teach grammar and which parts to emphasise particularly, but it is mainly up to the approach that the teachers should take in presenting this language segment in a way that, in the end, with grammar being properly integrated in the teaching process, the students learn to use the language accurately and speak it fluently. This paper aims to show the teachers' views on the best ways of teaching grammar, the parts of English grammar that are most difficult for the learners to master, as well as the structures that are the easiest to be learned. It presents the situation in Macedonia and in Slovenia, with answers provided by English teachers surveyed online, and with theoretical analysis of the given situations, along with results that aim to give practical implications. Thus, it especially explores the process of teaching English grammar in these two countries from the teachers' point of view, by collecting the teachers' perceptions, and by analysing the findings. The results tend to show and, hopefully, prove that English grammar teaching can be interesting, enjoyable and, for teachers, an extremely rewarding process when the students produce grammatically correct sentences and display educated expression. The findings can be applicable to all English teachers who might reflect on their way of teaching, but also provide teacher trainers with guidance on what should be emphasised in the teachers' professional development process.

Keywords: teaching, English grammar, Macedonia, Slovenia.

Literature Review

There is nothing new in recognizing that general education studies agree with the fact that teaching is a cognitive ability and that teachers' beliefs impact on their instructional decisions in the classroom. This means that during one's career, in making decisions about the way of teaching, each teacher forms beliefs on the basis of their character and on the experiences they have had in the classroom, this being supplemented with the advice and lessons they are given when attending workshops, seminars, and conferences on teaching. In the course of their professional development, the approach that teachers take in their teaching is shaped by the practical results that those beliefs have when applied in a classroom setting.

According to Farrell and Poh's research (2005), it is believed that many of the teachers' classroom instructional decisions when teaching grammar were influenced by the time the teachers thought they would need to complete an activity outlined in the syllabus. What is more, one of the teachers they interviewed and observed in the classroom for their study, reported to prefer a deductive to an inductive approach when it comes to the teaching of grammar, not because she did not believe in the effectiveness of the inductive approach, but because the deductive one is more straightforward and requires less time for its implementation. In addition, the demand on their time was imposed by both the school and the administration (Farrell & Poh, 2005, pp. 9-10).

In Borg (2001, p. 21) it is said that many studies have been written about the effect the teachers' knowledge of a particular subject matter has on their instructional decisions. When English is concerned, this leads us to the fact that there is relationship between the teachers' perceptions of their knowledge of grammar and their instruction. He quotes Grossman, Wilson and Shulman's findings (1989, p. 28), who noted that in their sample of teachers, those who were uncertain of their knowledge of grammar tried to avoid teaching it whenever it was possible.

In ELT literature there is great interest in teacher cognition, but there are no explicit studies on the relationship between the teachers' perceptions of their knowledge of grammar and their actual instruction in the classroom. Yet, Numrich (1996), and Richards, Ho, and Giblin (1996), (as cited in Borg (2001, p. 22), both found that new teachers avoided teaching grammar, simply because they felt their knowledge of grammar was inadequate. Nevertheless, this claim has never been tested and proven in a classroom setting.

Borg (2001) himself conducted research on teachers who were observed teaching real classes and then interviewed about the reasons for the decisions they made while teaching grammar. That is how the teachers' perceptions of their knowledge of grammar emerged to be a factor that influenced their teaching. In the case of one of the two teachers that were observed and interviewed, the conclusion is that when certain of his grammar knowledge and asked a question, the teacher used the students' questions as a springboard for class discussion, meaning that one student's question to the teacher was freely directed to the other students, without fear of any additional questions that might arise, because the teacher was confident of his knowledge of the grammar. On the other hand, in cases when he lacked confidence, he avoided explaining by giving rules; instead, he relied on the actual situation in the language and the more frequent uses.

The other teacher, who was a non-native English teacher, had even more episodes of uncertainty when teaching grammar and avoided this whenever possible. However, he was quite confident in teaching vocabulary, because he had spent more time teaching it than he had done teaching grammar. He was not even behaving characteristically when asked for an explanation about grammar, but rather took a more defensive, abrupt and less polite stand to close the discussion, thereby discouraging the students from continuing to ask questions. When grammar questions were posed, this teacher collected the questions and postponed the explanations for the next class, so that he could refer to the grammar reference books or teaching materials in order to find reasons and rules that would explain the particular grammatical problem (Borg, 2001, p. 26). But when feeling confident, the teacher proceeded with an explanation, even though his answer might not have been satisfactory, which proves that confidence motivates behaviour.

Therefore, Borg (2001) maintains that future studies should concentrate on the following: to give teachers more opportunities to test their own knowledge of grammar so that they can realise the relationship between their perceptions and the instructional activities they engage in with their students. Teachers should increase their awareness of the importance of the effect that a knowledge of grammar has on their teaching, and this should consequently be revised with regard to the way that teachers teach grammar. Also, their willingness to engage in spontaneous grammar work should be reviewed, along with the way they respond to students' questions; the manner in which they react when students question their explanations, and the kind of the grammatical information they provide (Borg, 2001, p. 27).

Toska, Kadriu, and Vaneva (2011, p. 36) emphasise that teaching grammar should be directed towards teaching inductively: when students figure out the rules themselves, they are being supplied with rich structured input. When they recognise the grammar forms and learn to put them into adequate meaningful contexts, they are able to learn the target language by processing the input and increasing their own intake. It must be emphasised that the question is not whether or not to teach grammar, since grammar is an inevitable part of the language and it has to be taught, but how to teach grammar so that students can make real use of their instruction and accurately use the forms and structures in actual communication.

Due to the fact that language is context-sensitive, grammar is best taught in context, given that , no word or function can be learned when taught in isolation. But, as Kaçani and Mangelli (2013, p. 154) have commented, authentic texts show how a target structure can be used in communication, whereas if there is unfamiliar vocabulary and synthetic complexity, the structure will be rendered incomprehensible. Therefore, they cite Thornbury (2008), who says that simplified authentic texts should be used, because in that way the learnt forms are used properly and the new ones are better acquired.

Talking about the teaching of grammar, Ur (1996), (as cited in Thu, 2009, p. 4), says that the place of grammar in foreign language teaching is controversial, because each method or approach to language teaching gives the teaching of grammar a different, varying level of importance in the syllabi or classroom activities. On the one hand, Ellis (2002), (as cited in Thu, 2009, p. 5), claimed that in teaching methods such as grammar, translation, audiolingualism, total physical response, and situational language teaching, grammar has the central place. On the other hand, the place of grammar is challenged by the emergence of communicative language teaching and natural methods, since these require grammar to be taught alongside a communicative task-based component. Moreover, he goes on to say that grammar should be taught to learners who already have a substantial lexical knowledge, so that on the basis of their lexical knowledge they can upgrade the new, grammatical information and create meaningful messages. Ellis even argues that grammar should be taught separately, not integrated with task-based components, that areas of grammar that are known to cause problems to learners should be focused on, and teachers should help students develop explicit knowledge. It is more than evident that grammar teaching is a thorny problem and, it is because of its not too exhausted and not fully researched

character that, grammar remains the mainstay in English language training all over the world.

Yet, besides teaching methodologies and approaches, it is not only up to the students, but also to the teacher's education in grammar teaching which is also very important for preparing teachers to teach grammar effectively and confidently. Celce-Murcia and Larsen-Freeman (1999), (as cited in Thu, 2009, p. 6-7), maintain that teachers would be better prepared to teach grammar and meet students' learning needs if they themselves have a firm grounding in the grammar of the language they teach. This implies that, first, teachers should master the grammar of the language they want to teach, and then use their mastery to teach. They explain that grammar can be taught explicitly – when rules are clearly stated and pointed out to the students, then implicitly – when rules are not pointed but they are expected to be understood through various forms of exposure offered to the students. Grammar can then be taught deductively – when students are told the rules first, and inductively – when students examine many examples to find out patterns. Also, grammar can be taught separately, whengrammar points and structures are taught in isolation, or integratedly – when grammar is 'integrated', or taught together with other learning activities. However, it is obvious that there is no single approach to grammar teaching that could apply in all contexts to all kinds of learners and teachers, but this would rather depend on different factors, such as the students' age, social background, interests, and previous education.

In Thu's study (2009), as stressed previously, the answers showed that grammar is better taught when real-life situations are simulated than when grammar patterns and structures are analysed. Also, by practising the grammar of the target language, the students' communicative ability improves more quickly, meaning that not only their grammar knowledge improves, but their overall language expression becomes more advanced (Thu, 2009, p.16).

As far as the role of L1 influence on L2 grammar is concerned, the study maintains that students' first languages have a significant influence on their ability to learn English grammar and they believe more in negative than in positive transfer, that is, the students' first language inhibits rather than facilitates L2 grammar learning (Thu, 2009, p. 19-20).

In Schulz's study (2001), 73% of teachers agree that studying grammar helps in learning a foreign or second language. Schulz also found that most teachers believed it is more important to practise language in situations simulating real life than to study and practise grammatical patterns.

A point made by Ellis (2008) about students' making mistakes is his claim that when students make mistakes in learning another language, the mistakes are due to the influence of their first language, and it is not that the second language grammar learning is helped or improved if their native language grammar is similar to English (Schultz and Ellis cited in Thu, 2009, p. 22-27).

Baron, (1982, p. 226, as cited in Al-Mekhlafi & Nagaratnam, 2011, p. 69), says that very often, an English teacher is portrayed as a person whose only pleasure is to point out the faults of others. Therefore, in classroom circumstances, the mention of grammar causes the student moments of discomfort and terror. For this reason and in order to feel comfortable in class, the students prefer explicit and formal grammar instruction; while the teachers favour communicative activities with less focus on grammar so that they can alleviate this emphatic effect and make the students positively experience the learning process.

Since the 1970s, the learning process has moved from teaching grammar to teaching learners to communicate, whilst grammar has been seen as a powerful demotivating force among L2 learners. When it comes to motivation and language success, it is believed that grammar prevents students from speaking fluently and, even when they know the rules perfectly, they cannot apply them properly, thus their language use is diminished. Burgess and Etherington (2002), (as cited in Thu, 2009), point out that teachers have identified this problem – the fact that the transfer of declarative to procedural knowledge is a big problem.

Savignon (2002, as cited in Wong & Barrea-Marlys, 2012, p. 62), makes the difference between communicative competence and communicative ability. The first refers to the ability to interpret information, express oneself, and negotiate meaning. The latter refers to the ability to comprehend meaning and use forms appropriately. This implicitly means that grammar learning is extremely important in achieving a higher level of communication.

There are scholars who think the grammar and communicative approaches should be combined and, as Lee and VanPatten, 2003 (as cited in Wong, 2012, p. 63) say, grammar can be taught communicatively through structured input activities. This occurs when students are being given input, meaningful context and their attention is drawn to the target language, that is, they are asked to encode grammatical forms through meaningful context. The purpose of this kind of instruction is to raise the learners' awareness of the target structures with meaning.

All participants in Wong's study agreed that there is a place for grammar instruction in an L2 classroom, yet, some believed that grammar should be taught explicitly, being convinced that it improves the students' communicative ability, while others believe that explicit grammar instruction would only help students get good grades on tests but would not facilitate their communication with others.

Starting with these above-mentioned authors and their views, who are just a portion of all those people that have researched on grammar teaching, this paper will continue by illustrating the research conducted on non-native English teachers in Macedonia and Slovenia and their perceptions of teaching grammar.

Method

Participants and the research tool structure

This study comments on a research survey in which data has been obtained by administering a questionnaire to participants. Namely, in the period between June and November 2013, a 40-item, web-based questionnaire, designed by the researcher, in the form of an electronic link was sent to English language teachers in Macedonia and Slovenia. The participants are English language teachers who teach English at different levels, to different age groups of students, in different sectors and levels of education , with their own, different levels of education.

The questions in the questionnaire were divided into 13 sections: the first one giving the researcher's introduction; the second - looking for the respondents' biographical information; the third - looking for information about their experience and qualifications; the fourth - asking the respondents for information about English grammar teaching in their country; the fifth - about their school or workplace; the sixth; the seventh and eighth are about their classes but grouped differently according to the questions; the ninth - about their lesson planning; the tenth; eleventh and twelfth require the teachers' opinions; while the last one asks those teachers who want to be contacted about the results of the survey, once it is finished, to leave their contact details.

Results

The total number of teachers who responded to the questions in the survey is 74, of whom 41 (55%) are Macedonian, 23 (31%) Slovenian, 6 (1%)

Albanian, only 1 American, 2 hold double citizenship - from Macedonia and Albania, and 1 is both Macedonian and Australian. When it comes to the teachers' gender, 6 teachers were male, while the remaining 68 were female. The teachers' age was distributed in the following way: 14 (19%) teachers were between the the ages of 19 to 29, 39 (53%) - from 30 to 39, 12 (16%) - from 40 to 49, 9 (12%) - from 50 to 59, and there were no teachers older than 60. As regards the country of origin , 51 (69%) teachers were from Macedonia and 23 (31%) from Slovenia, while in the question about the number of years of experience, 24 (32%) teachers had worked for more than 20 years , 23 (32%) had between 10 and 14 years' experience, 12 (16%) had between 5 and 9 years experience, 8 (11%) teachers had between 0 and 4 years experience, whilst 7 (10%) had between 15 and 19 years experience.

With regard to the teachers' highest level of education, a little less than a half held a Bachelor's degree, that is, 35 out of the 74 respondents, which amounts to 47% of the cohort; those with a Master's degree were 24 (32%); whilst there were 6 PhD holders – 8%. (The others did not provide any information on their qualifications.) The teachers' level of English, according to their own, self-assessment criteria is 33 (45%) advanced, 26 (35%) with native-speaker competence, and 5 (7%) native speakers. The teachers' highest qualification in terms of teaching English is 41 (55%) university graduates, and 20 (27%) university postgraduates; numbers that add credibility to the answers received from the respondents. Asked whether the teachers had received training in teaching English before starting work, a high number of 39 (53%) respondents answered negatively, while 30 (41%) had been provided with this kind of professional development, but after starting work these numbers changed so that even 55 (74%) answered affirmatively - that they had been trained, while 14 (19%) had not experienced that, unfortunately.

The survey showed that all teachers who responded to the questions are qualified in teaching because the types of training that they mentioned were the following: seminars and workshops at their own institutions, webinars and conferences, British Council certificates, Comenius Teacher training, Methodology courses, e-courses, several weeks' training in England, Cambridge CELTA certificate, professional development online courses, professional development in English language teaching from Indiana University, finishing with an MA in TESOL. 41 (55%) teachers came from private institutions, and 26 (35%) from state ones; 65 (88%) came from urban surroundings, and 28 (38%) of all teachers, which is the highest number of answers to the question about the number of students in class, had between

21 and 30 students. As far as the students' age is concerned, most of the teachers - 37 (50%) worked with teenagers, while 14 (19%) with adults and 9 (12%) with young learners. 34 (46%) teachers reported that for them there is a specific age group of students that they feel most comfortable with when teaching English grammar and, when explaining the answer to this question, different elaborations were given. Since this was an open-ended question, most of the answers had rather long explanations, combining the age groups and elaborating on the comments given. Some said they did not have problems teaching any age group, because they applied different methods and approaches that they chose and adapted according to the students' needs. In addition, there was an answer that stated an experienced teacher should be able to teach learners of any age. One teacher reported that grammar is essential for learning a foreign language so that it should be taught to every age group. Yet, there were teachers who answered that they preferred teaching grammar to young learners, but no explicit explanation was offered for this kind of answer. On the other hand, most of the teachers replied that they preferred teaching grammar to teenagers (mostly) and adults, saying that it is due to the fact that teenagers have already learned grammar by the time they reach that age and they are more capable of learning and understanding the new rules, while adults are chosen as a preferable group by some because they are more determined to achieve their goals and, if taught communicatively, they share views more skillfully on various topics.

When asked about the level of students they feel most comfortable with when teaching English grammar, 27 (36%) answered that the students' level was important to them, and the answers mostly ranged from intermediate to proficient students, explaining that the higher the level, the smoother the teaching and the easier the learning. Moreover, the more advanced students should have already been faced with the rules of grammar before and they can easily upgrade what they have learned, trying to perfect their knowledge of English grammar. This is understandable since it is indeed more likely that comfortable teaching and fruitful learning happen in higher level classrooms, taking into consideration that this category of student tends to polish their English (reflected in the use of grammar), while the lower level or beginner students' aim is to first learn the language base.

When asked about the age of the students in the class they teach most often, 20 (27%) teachers reported it to be the age between 16 and 20, while only 9 (12%) said it was between 21 and 30; another age group was not offered.

The question that asked about the language that teachers mostly use when they teach English grammar received an answer that 28 (38%) used English, 22 (30%) used a mix of two (English and the students' first language), while only 1 teacher answered that the students' first language is used.

There was a question that asked about the most difficult grammatical structure to be presented to the students and again the answers varied, saying that it is the present perfect, passives, conditionals (including mixed and third conditional), articles, prepositions, reported speech, indirect questions, participle clauses, the causative 'have', the subjunctive, but basically tenses and their use. It is important to note that 2 teachers said there is no grammar structure that is difficult to be presented, since its presentation depends on the situation, method, and approach. In addition, some teachers thought that structures that do not exist in the students' native language are more difficult to present, implying that the students have nothing with which the new structure from the target language can be compared.

When the teachers were asked to explain why the students found it difficult to learn that particular structure, the answer that was most often given was because they had no such form, tense, or structure in their native language and therefore it seemed to be too abstract to them. The main problems reported were in distinguishing between simple and continuous aspects, and between the past simple and past perfect.

Questioned about the part of English grammar where the students make the most mistakes, the teachers' answers mainly referred to tenses: variety and sequence of tenses, along with sentence structure.

About the level of frequency at which teachers correct their students' mistakes, 30 (41%) said they corrected them *often*, 14 (19%) - *sometimes*, 6 (5%) - *always*, and 1 does that *rarely*.

In explaining how the teachers decide when to correct the students' mistakes, they said they correct if the focus is on accuracy and not fluency, mostly when it is a written and not a spoken activity, if the same mistake is repeatedly made, if it tends to become an error, if a new rule is being learned and, finally, if it is a structure that has already been learned and the students are expected to have mastered it.

In the question where the teachers were asked to mark each given activity with one of the suggested options: *every lesson*, *often*, *sometimes*, *rarely*, or *never,* of all the activities, the one that had the most answers - 18 (24%) - *every lesson* is 'students filling gaps/blanks in exercises', the activity 'role-play practising corresponding structures' received 32 (43%) answers with

often, 'students watching videos/TV' had 18 (24%) *sometimes*, 'teacher dictating rules to the students' had 18 (24%) answers with *rarely* and, considering the nature of the activity, 'students copying sentences from the book', quite expectedly, received 28 (38%) answers with *never*.

They have also been asked about other activities they use regularly and have stated that they use online exercises, make students correct grammar mistakes in authentic students' essays, have students write words on the board and combine them to make sentences, watch videos/TV, translate, make students present a grammar issue or topic so that they are directly and interactively involved in the teaching-learning process and experience it personally.

From the activities that respondents were asked to mark on a scale from 1 to 12, in which case 1 was the most useful and 12 the least useful in their teaching practice, the results showed that 11 (15%) teachers saw 'lesson plans' as the most useful element, while 18 (24%) teachers marked 'the national curriculum/syllabi from the government/ministry' as the least useful. In this way, only the extreme grades (1 and 12) have been taken into consideration, as at this stage the analysis intends to give preliminary results in terms of the surveyed teachers' perceptions.

34 (46%) teachers regarded students' good command in another foreign language as helpful in understanding and learning English grammar, while only 9 (12%) declared that they thought negatively about this. The explanations they gave are: that by knowing another language and its grammatical rules students can more easily compare and contrast as well as apply them; because certain language concepts are universal; they more easily recognise structures and assign grammar theory; because English has many common things with other languages; languages borrow from each other; and, the students have created their own way of learning a foreign language. The transfer of knowledge happens: once they understand one language, they can follow the same patterns of learning and understanding, and thus the prerequisites for learning another language are met. On the other hand, those with negative answers said that grammar is quite difficult and having a good command in another foreign language does not mean you can learn grammar more easily, since every language is a different structure, and confusion is caused when faced with different languages and different grammatical rules. They say it depends which foreign language is in question, but basically the grammar points and structures differ from language to language.

From the twelve activities the teachers were asked to grade from 1 to 12 according to the importance those activities have in the teaching-learning process, in other words, which activities would help most in improving grammatical skills , the activity that received most answers – 9 (12%) with 1 as the most important one is 'more communication activities', while quite understandably, even 14 (19%) teachers marked 'more translation exercises' as the least important.

The teachers explained their most important choices by saying that the earlier students start learning the language, the better their understanding of the language is and consequently they approach the learning process more easily. Also, when they go to study abroad, they are motivated to learn more in that setting. Moreover, if the teaching happens in a smaller class with fewer students and if there is practice and communication, then the learning truly happens. Clearly, if students have more exposure to the language, they learn the rules unconsciously. More classes a week, more training, visiting an English-speaking country or being part of it are all prerequisites that may lead to better learning results.

Talking about the skills that are most important in enabling students to learn and understand English grammar, the teachers had to choose from 'writing', 'reading', 'speaking', 'listening', and 'use of English' and order them in terms of their importance. From those who responded to the questions, 16 teachers claimed 'use of English' to be the most important, whereas 6 teachers believed 'listening' to be the least important.

When the teachers were asked to explain their answers, those who thought 'reading' was the most important activity for students to learn and understand English grammar, their explanation is that the more students read, the better their understanding is, because that passive knowledge that they gather through reading can be used for processing the information and for using grammatical rules in practice. Those who thought 'speaking' was the most important activity claim that for the other skills students can be helped from outside, but speaking is something that should be practised inside, when used and developed in class by speaking on different topics.

Asked about what gives teachers the most satisfaction when teaching English grammar, they mentioned several aspects. Namely, the teachers commented that it is to see that the students make their own sentences, which are grammatically correct; when the students can use the sentences in real communication and outside of the classroom; when they feel that they have understood the rules; when they use the structures confidently and

unconsciously, without stopping to think which form to use in a certain context, but freely applying the rules; when they confidently use the concepts taught; when they understand the rules, use them, recognise them when used, and when they are pleased with themselves, realising they have learned the target form. Besides this, one teacher gave credit to the mother tongue as an element that adds to satisfaction in teaching English grammar and noted that the interference between English and the mother tongue is quite challenging, as well as the good translation from the students' native language into English. Another one stressed that the satisfaction comes when students say they had thought grammar was more difficult than that, or that they are starting to use grammar for the first time.

The teachers' biggest challenge in teaching English grammar is to give simple explanations when teaching difficult areas and yet make students understand the rules and use them correctly. Others have noted it is connecting communication with grammar, getting students talking, teaching unmotivated students, making grammar interesting for them, teaching the students a structure they do not have in their L1, keeping students' attention, making students realise that grammar is important, by making classes interesting, but still pointing out that grammar is an important part of the language. The last should be dealt with very carefully since students who struggle with grammar should not be intimidated.

When asked about the things the teachers would like to change in their English grammar teaching, again various answers were given. Some declared that they were happy with the way they currently teach and they would not change anything, but others chose that they would apply a more interactive approach; make their teaching more user-friendly; wished to work with small groups; to have more time to practise; to use more games; even use the mother tongue so that the grammar explanation is more successful, when using the source language as a basis in explaining the grammar rules; to have more classes per week and smaller groups of students; to try different approaches; to use technological aids; without translating and explicitly explaining rules, but letting students elicit the rules; and one being a state to the teacher wished he/she would not be obliged to follow the curriculum so that that teacher can decide on the number of hours spent on a certain grammar structure, be more persistent with students who are not that good and even devote more time to teaching grammar. Organising speaking hours with English native speakers has also been suggested along with more learning games.

Additional comments about any aspect of teaching English grammar that have not been mentioned in the questionnaire focused on the students' negative attitude towards grammar and their unwillingness to learn which interferes with the teachers' success of conveying English grammar. Therefore, the teachers suggested they should not teach grammar rules but use them in speech so that the students are able to learn a whole phrase or sentence instead of a memorised grammatical rule. It was even stipulated that English grammar is not the issue that causes difficulty, but it is the Slovene grammar which the students do not learn and then they have problems with English.

Conclusion

The aim of this study was not to determine how Macedonian and Slovenian English language teachers separately perceived the process of teaching grammar, but to research the perceptions and impressions of teachers from both nationalities, shared from their own teaching experience and summarise them in a preliminary account of what activities or methods the teachers prefer to use in their teaching practice so that the students learn more effectively. I have therefore presented the results generally, showing the Macedonian and Slovenian teachers' perceptions together. The research shows that teenagers and adults are the most preferable age groups to be taught grammar; with regard to language level, these are the more advanced students; English is mostly used as the language of instruction; and the most difficult grammatical structure is the one that is different from the structures and forms in the student's mother tongue, or a structure which they do not have at all in their source language. To the satisfaction of all proponents of effective and objective-aimed grammar instruction, this study ends with the conclusion that, fortunately, most respondents believed grammar can be most effectively taught in authentic, context-provided situations, by emphasising the communicative and implicit language teaching. It is an undoubted fact that more successful learning takes place when English grammar is taught communicatively, when students are actively involved in the learning process, when rules are not explained but elicited from the students, and when the students' native language is used minimally, or not used at all (all this is documented in the result's section). Other factors, such as having fewer students in a group and using technological aids, add to effective teaching, but cannot always be provided. Therefore, the teacher's success should be measured by managing the classroom with the resources that are available,

and using the most advanced learnt teaching methods and approaches. Thus, this all-embracing view can be used as a strong recommendation when it comes to teaching English grammar generally – given that this study is being specifically inferred from the teachers in Macedonia and Slovenia.

Acknowledgements: I would like to thank Ana Krleska for being so kind as to convert my word-questionnaire into a web format, and for exporting the completed surveys to me. I also greatly acknowledge the teachers-respondents, who wholeheartedly accepted to be part of the research by completing the questionnaire and thus expressing their perceptions of the topic in question. Those are the members of IATEFL Slovenia - the Slovene Association of English Language Teachers, approached through the organisation, and the English language teachers from Macedonia - the latter being personally contacted and asked if they would like to take part in the research.

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Urban Creativity Prospects

Skopje – European City of Tomorrow

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Abstract

The question concerning the future of the European city is an important issue in the light of the less certain, heterogeneous, incoherent urban formations of the modern city. We are confronted with changes to the European historic city as an exclusive entity, with changes not only to the territory of the city and its new regional disposition but even more to the questioning of the actual paradigm of the city itself, and its physical composition. The former homogeneous entities have become inconsistent landscapes, once distinctive urban elements are now hybrid spatial phenomena. This research questions the way in which the new inconsistent base of the city can now be projected into its future. To achieve this, we will first start with the progressive prototype model of the future city promoted in the controversial book - manifesto "The City of Tomorrow" by Le Corbusier. Then we will explore the effects of modernization processes in the physical structure of Skopje. In the last part through a comparative review of selected European city-icons we are going to try to draw the new spatial reality of the European city through which we can base a hypothesis on the new inclusive, creative and integrated city of tomorrow.

Keywords: city of tomorrow, urban fragment, collective form, analog city, urban fragment, city pockets, urban transformation, Pan-European city, urban morphology.

Introduction

The city of tomorrow is the theme of modern architecture wanting to establish the universal emancipation of society from ancient dependencies through new spatial organization. Still the exclusive visions of Modern architecture, established from top to bottom, which were to overcome inadequate spatial, social and cultural conditions soon resulted in an inconsistent, conflicting and fragmentary condition of the modern town, which consisted of simultaneous positions of a historic, backdated future for the modern and the dynamic aggregation of the post-modern city. Can we talk about the new city of tomorrow based on such an incoherent foundation?

The change of the historic European city as an exclusive entity confronts us with change not only to the territory of the city and its new regional disposition but more towards questioning the paradigm of the city, its physical structure and the way we understand and perceive it. The former homogeneous entities become inconsistent landscapes, the former distinctive urban elements become new hybrid spatial phenomena. This research questions how we will project the future of the city based on its new inconsistent foundation.

The city of tomorrow cannot be either that historical pre-industrial European ideal, nor one of the exclusive modernist projects of the early twentieth century. What is the city of tomorrow, derived from fragmentary social, cultural spatial condition? Can the exact fragmentary nature of the modern city give an inclusive vision of tomorrow's cities in Europe? Hence the purpose of this research is, first to perceive the spatial reality of the modern city, and second to propose a new way of looking at the future of the city.

In the example of Skopje we will explore the spatial structure of the city that grew out of several cycles of modernization. Its position on the margins of the European flows, as well as the non-consolidated territory, making it a subject of intense and diverse changes, in its physical structure through which you can read historical stages of the modernization project and its present state. Through a comparative review of selected European city-icons, we will try to define the spatial structure of the modern European city as a resistant foundation for the new view of tomorrow.

Contrary to a number of new academic approaches trying to explain the form of the city and derive it solely from the dynamics of social processes, this research will start from the physical dimension of the city, we will view the city as a spatial phenomenon-built facility. This facility is a product of historical

and social processes that are performed through different systems of spatial symbolism of the material that has its consistency and resistance, therefore it is susceptible to the procedure of an autonomous description of spatial models. This research is based on the methodological approach that starts from the space as a central theoretical discipline and includes morphological and typological research as the physical structure of the city (Rossi, Rowe, Kottera, Peterson, Gandelsonas) and its historical transformation (Castex, Panerai).

The City of Tomorrow, 1924

The City of Tomorrow is considered to be a book - manifesto of modern architecture. It is the work of the key figure of the modern movement, Le Corbusier, and its polemical visions for the future of the city caused conflicting reactions. For many it meant the destruction of the traditional European city, for others the inspiring and creative vision of the new city. Basically we can consider the prototype of a new city as being established on the site of the old city. Derived from argumentation for the needs of the new city in the machine age, he gave a new spatial model of the multiplication of vertical structures, 60 floor skyscrapers, surrounded by open space or parks, which were accessible to mechanical transport. The plan demonstrates the view of the reconstruction proposed for the modern city. The result is frightening but at the same time logical -a diagram of new human needs taken into closer consideration.

Le Corbusier in his book *The City of Tomorrow* gave an evocative vision of the new city, as the juxtaposition of a new spatial order in the context of the existing city (Le Corbusier, 1971, pp. 276-289). In the plan “Voison” since 1925, in one scene two opposite images are shown, the district that should be demolished and what is suggested should be built in its place (Figure 1). In a dramatic way we have presented a simultaneous presence of the imaginary versus the existing. Actually both pictures demonstrate an extreme scenario for the same place, which can be seen in two ways and it could relate to two opposite realities. One that is historically rooted in the site, and another that transcends the historical model of the site and proposes a new spatial structure for the city of tomorrow.

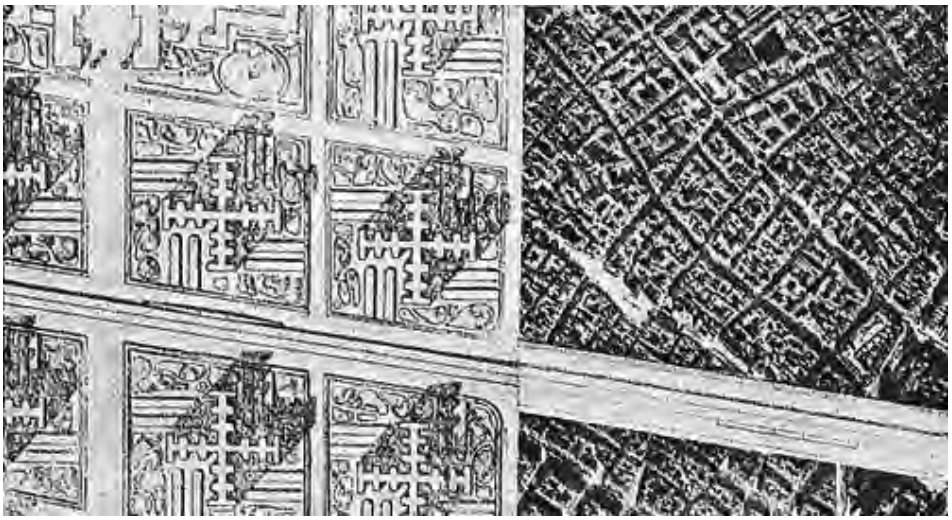


Figure 1: Le Corbusier in *The City of Tomorrow* gave two opposite images, on the left side, the proposed plan of the "Voison" Scheme, and on the right side, the existing urban fabric which should be demolished: "Here is the solution proposed by the 'Voisin' Scheme. Here are the districts which it is proposed to demolish and those which it is suggested should be built in their place. Both plans are to the same scale" (Le Corbusier, 1971, p. 289).

This way the Modern not only questions the historical relationship of the architecture and the place, in terms of its identity, historical and relational dimension, but also proposes a method for establishing new spatial orders (Auge, 1995, p. 52). The creation of the new foundation of the city as a tabula rasa also implies its erasure. The erasing of an existing texture and the superposition of a new one is a method that enables the re-composition of European cities.

But the real result of the project of the Modern is not only the repeal of the existing "backwardness" of the physical structure and setting versus the new spatial orders, the net result is exactly the fragmentation of existing spatial situations and the simultaneous presence of different fragments, and different spatial models as possible configurations in one place. Thus, the fragmentation of our cities can be understood not only as a result of an unfinished modern project but as the outcome of the essential re-conceptualization of the place, and a questioning of the relationship between spatial orders and their place.

From a Fragmented to an Analogous City, 2014

What do we see today in the city? How should we look at today's city? Today's city is everything but a unified physical fact. The view of the downtown Skopje area (2km x 2km) shows the heterogeneity, and diversity of its texture. On the satellite images of the surface of the city, we can feel the difference as being almost tactile. What is behind this inhomogeneous picture? That exactly was the reason for researching the city's morphology through a series of analytical drawings. So within a frame of one scene, we decomposed an array of thematic layers.

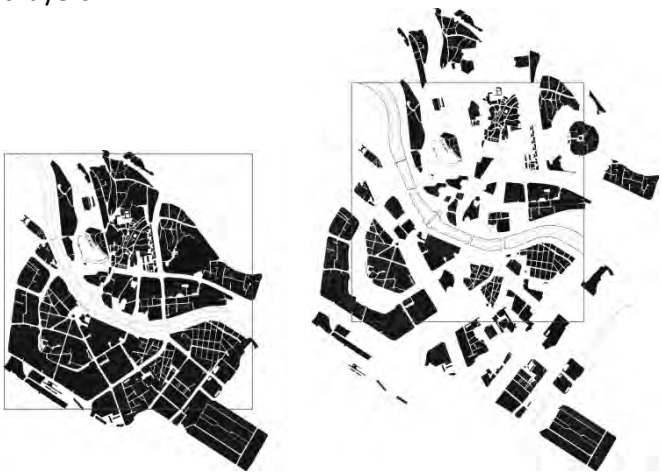


Figure 2: Skopje, a city of fragments / collection of various pieces: The central city area within the frame of 2km x 2km, integral view and exploded view showing different urban fragments (morphological units)

This way in the given scene, the city is explode in the city of fragments, as the product of a series of reflections, a spatial array of exclusive lines that once should have been established and should have shaped and re-shaped the city, and as a result has produced an incoherent picture of its texture (Bakalchev, 2004). As a city composed of cities, a city of possible worlds (Fig.2).

The historical cycles of the urban planning of Skopje resulted in the fragmentary basis of the modern city. A series of models for the modernization of the city generated a complex morphological and chronological stratification of the physical structure of the city. Taking the morphological approach we may recognize the different urban fragments (morphological units) in the texture of the city. To demonstrate the fragmentary character of the city, here is a sequence of the central city area (2km x 2km), in which is layered the main

morphological segments of the city. The selected area meets two criteria, firstly it has the highest density of urban differential models, and secondly the surface in the proposed framework (2km x 2km) was the reference surface for the reconstruction after the earthquake in the city, covered by the competition for the central city area (1964). This also concludes the cycle of reference projects for the modernization of the city in the twentieth century.

The morphological segmentation will unite the historical and the morphological line in the dismantling of the urban configurations. The process of dismantling the urban phenomenon can establish a parallel differentiation of the physiognomy of the city's recognizable themes in the concept of the “urban archipelago” of O. M. Ungers (1991, pp. 93-95; 1994, pp. 6-24), and in the analysis of the physical characteristics of urban creations through differential morphological regions based on the “plan units” of M. R. G. Conzen. In all morphological studies an essential topic is how to differentiate the urban form.

The morphological segmentation can be defined on the basis of two criteria, historical and morphological. The historical stratification gives the development of certain chronologically based conceptual themes. The morphological differentiation gives the total morphological divergence of different spatial configurations independent of a chronological thematic background.

The historical stratification refers to certain paradigmatic cycles of modernization: The general background is represented by persistent fragments of the historic traditional town (the traditional Balkan - city) of the late nineteenth century; the city's first wave of modernization introduced pioneer patterns of artistic principles of shaping the city derived from the plan by D. T. Leko (1914) The city of the period between the wars rationalized the late streamlined theory and practice of European cities through the urban plan of J. Mihajlovic (1929); the post-war reconstruction of the city promoted the paradigm of the functional concept as well as the concept of the linear city in the urban plan of L. Kubesh (1948). The city of the post-earthquake renewal resulted from a revision of the functional model and the matrices of the collective form supported by the plan of the central area of K. Tange (1964). The city of post-socialist transition, an unsystematic array stemming from an aggregation of individual construction activities served as a dynamic thickening of the existing texture (at the end of the twentieth and the beginning of the twenty-first century).

The selection of historical and thematic sequences (layers) can be summed up in the total map of morphological segmentation. Inside the principal historical stratification we can recognize different, yet simultaneous morphological threads that can single out sequences of different spatial patterns:

Organic patterns: The irregular spatial scheme of the traditional city, as the general basis of a series of transformations in the process of the modernization of the city. The traditional city does not disappear but persists in a sequence of cuts and gaps in the new urban area. While its formal structure is gradually changing the main structural features prevail, the irregular street plans, the successive spatial sequences, the irregular urban islands (blocks), the texture of full and empty space, derived from the unit of the block and the ration of full and empty, the built and the un-built, the house and the yard. The left bank of the Vardar River is the historical locus of the city, in which we recognize the zones of the traditional Balkan city (Old Bazaar, Dukjandzhik), but fragments of the traditional city and its variations prevail on the right bank too (Madzar Maalo, Novo Maalo) (Figure 3).

Figure 3: Organic patterns, Dukandzik, Skopje

Orthogonal grid: This refers to the territory on the right bank which was colonized after the successive Serbian-Turkish wars of the second half of the nineteenth century muhadzhiri settlers. This is the first planned extension of the city on the right bank and it is an example of an internal transition of the Balkan city to new spatial forms. The urban texture is a product of ambivalence between the orthogonal system and its filling between the geometric model

and the spatial forms of the traditional texture of residential blocks, which repeats the usual relation of built and un-built as traditional architectural typologies of houses (Figure 4).

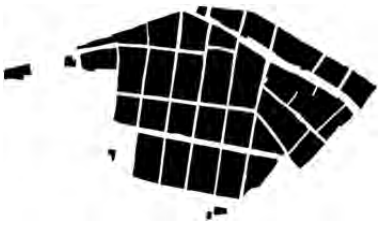


Figure 4: Orthogonal grid, Madzir Maalo, Skopje

Overlapping of different grids: The second statement on the modernization of the traditional texture is the introduction of street plans which are regulated, but layered in different directions, as a result of the different overlapping grids. The presence of different geometries and spatial systems, regulated street plans and the texture of traditional residential islands, provides the ambivalent experience of the urban fragments that still prevail, such as the residential pockets of the Novo Maalo (Figure 5).

Figure 5: Overlapping of different grids, Novo Maalo, Skopje

Enclosing: This originates from the urban theme of the city ring introduced in the first plan of Skopje in 1914, during the first wave of the modernization of the city. Usually the city rings were a consequence of the de-fortification of European cities. In the case of Skopje it was introduced as a unifying element of the compositional city of the right and left banks of the river Vardar. Yet in a paradoxical way by introducing the theme of the city wall in the city ring volume, it became the basis for a new physical and symbolic fortification of the city. The city ring is one of the key themes of the following

city earthquake reconstruction project derived from the downtown area project by Kenzo Tange (Figure 6).

Figure 6: Enclosing, City wall, Skopje

Free-standing objects: These originate from compositional strategies and the spatial syntax of the modern project. The application of free-standing objects in free space causes the dissolution of the complex creation of the city. Today pieces of the modern project are recognized as islands of free green space in the new post-socialist urban aggregations (Figure 7).

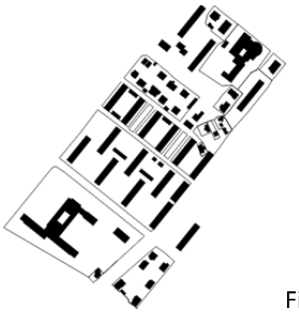


Figure 7: Free-standing objects, settlement Prolet, Skopje

Mega forms: Part of the project, following the restoration after the earthquake, expressed the idea of reviewing the modern project of the previous period with the introduction of complex sets of objects as a segment of the city, as *collective form*, in other words, "objects that have a reason to get together" (Maki, 1964, p. 52). With Mega forms in different versions and levels of completion, we recognize fragments of the city of Skopje, The City Wall, The university campus of "Ss. Cyril and Methodius", the City Shopping Centre, and fragments of the Cultural Center (Figure 8).

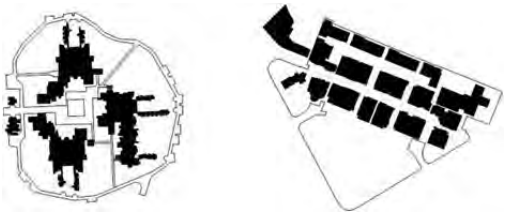


Figure 8: Mega forms, University campus of "Ss. Cyril and Methodius" and City Shopping Centre, Skopje

Gaps: or territories in a temporary condition, are a consequence of the devastating earthquake early in 1963 and are therefore the remaining parts of unfinished urban issues that have not been annexed into the urban matrix. Finding themselves in a transit period of the history of the city, these remaining areas have created their own separate spatial, visual and contextual identity in the downtown area. Still, in the new wave of post-socialist congestion they became the subject of intense building activity. (Figure 9)

Figure 9: Gaps, central area of the city of Skopje (2000)

The entire formation of the fragmentary city base can be related to the idea of the *analogous city* (Rossi, 1984, p. 166). The sequence of differential positions may be interpreted as analogies of certain spatial systems of trans-historical and trans-geographical planning. The analogous city stems from a compositional procedure through which certain urban artifacts represent a model around which other artifacts are constituted in an analogous system (Figure 10). In that sense every city is the accumulation of different ideas of the city, different spatial forms whose elements are pre-established and formally defined but whose meaning is performed at the end as an authentic, but unpredictable act. Thus the transition of different spatial models always regained a simultaneous analogue and authentic meaning.

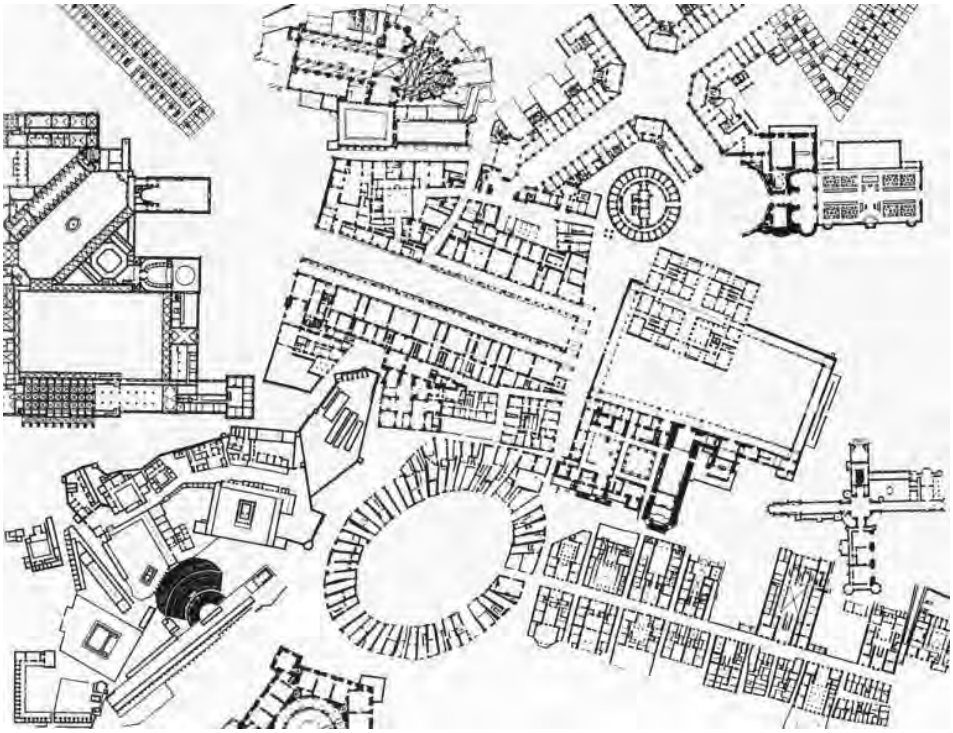


Figure 10: Hans Kollhoff, Project for the Analogous City, 1976 (Cepl, 2003, p. 39).

A Comparative Review: Towards the European Urban Landscape

The morphological fragmentation of the texture of Skopje, the product of the transformation of the city throughout the twentieth century, will be presented through chosen samples of the texture of the city. The samples are in frames in the distance of a 5 minute walk, 400m x400m, as an arbitrary module through which it could be assumed certain spatial aggregations were formed according to human scale. We will compare these samples with 9 analogous European cities (Amsterdam, Barcelona, Bari, Berlin, Florence, Paris, Roma, Venice and Vienna). These are cities which have a clear historical and spatial profile that has been created from a variety of historical, socio-cultural and geographical contexts, in different periods presenting a paradigm of the European city and today representing a pluralistic stage of European urban culture. All the samples are extruded from the limited territorial frame of the city, 1600m x1600m, the aim is to follow the morphological property inside one limited area, so as to be able to confirm similarities or differences in the morphology on the surface of the city (Figure 11).

The morphological approach necessitates a broad sample, in order to constitute the body of evidence for the similarities and differences of the morphology of European cities. The criteria for selecting the cities concerned is based upon the following: Firstly, the historical continuity of the physical structure which has appeared as a stratification of different urban layers according to different historical periods; secondly, the geographical position (cities from southern, central and northern Europe); and, thirdly, cities with a distinctive identity of their physical structure and socio-cultural background. So with the selection of these cities, Amsterdam, Barcelona, Bari, Berlin, Florence, Paris, Roma, Venice and Vienna, the urban morphology of Skopje can be compared and can participate in generating a wider collection of samples of the urban patterns of European cities.

The size of the samples in a 5 minute walking distance, (400m; ¼ mile) became a traditional part of the history of planning on the territory of the neighborhood. The diagram created by Clarence Perry (Neighborhood Unit of the 1920 New York Regional Plan) defined the inside of the neighbourhood within a five minute walking radius. The radius is measured from the centre, where cultural and educational activities are performed. In the case of the analysis of the morphology that we suggest, these morphological samples are based on spatial cut-outs 400m x 400m, that contain the 5 minute walking distance as an arbitrary module and as an

interval on the human scale allowing possible continuous spatial aggregations. (Sustainable Neighborhood Planning…, 2014) We will use the morphological footprints of the European cities from the review of Allan B. Jacobs (1993) in the chapter "Streets and City Patterns: Settings for Streets and Peoples." We will also use appropriate maps from Google Earth. Presented as a figure-ground relation, built and un-built area, it will represent the morphology of the structure of the samples. Regardless of the pattern being a product of rich and different socio-cultural and historical contexts, this research will be focused only on the figurative characteristics of the pattern giving us the possibility of comparing in an immediate way the qualities of various surfaces in different cities.

Different patterns of built and un-built area, streets and islands, we can differentiate from city to city, with regard to geometry and scale. The fine structure of the city centre in Florence is distinctly different from the scale of the orthogonal system in Berlin or repetitive blocks in Barcelona. But even inside a certain planimetry of the city we can acknowledge their differences. Most often this is with regard to the historic core of the city and its subsequent extension. This contrast is evident in the examples of the city patterns of the historical core of Barcelona and the subsequent extension of the plan by Alfonso Sereda**,** also in the scale of the axial and urban themes of Haussmann's plan for Paris and the inner texture of the city. In that regard we could position a trans-geographical similarity of the pre-industrial stratifications from ones in the later stages. Despite this historical stratifications and local modifications, we can recognize different regions of morphology in every spatial cut-out, even if we assume that it is about two different cities, or different episodes of one urban history.

Figure 11: Samples 400m x 400m, placed in a territorial frame of the central areas of European cities 1600m x 1600m, representing the difference of urban patterns within the given frame.

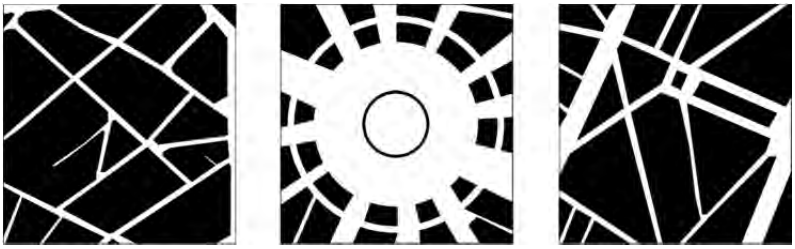
Skopje: 3 x (400 x 400м)

Amsterdam: 3 x (400 x 400м)

Barcelona: 3 x (400 x 400м)

Berlin: 3 x (400 x 400м)

Florence: 3 x (400 x 400м)



Paris: 3 x (400 x 400м)

Bari: 3 x (400 x 400м)

Rome: 3 x (400 x 400м)

Venice: 3 x (400 x 400м)

Vienna: 3 x (400 x 400м)

This research is about the physical structure of the city, represented through the diagram of built and un-built areas, solids and voids, where the solid is a built area and represents the urban blocks, and the void is an un-built area, the open system, a continuity of the streets and squares. In this sense we considered the urban block as a basic element of the urban fabric, resulting from the pattern of streets and squares. According to the size of the urban blocks, we can measure the degree of the urbanity of spatial patterns as a frequency of streets and squares, and the number of urban blocks (Krier, 1984, pp. 43-49).

The quantification of the physical structure will refer to separate urban blocks, as a part of the selected samples. In this way we are referring to the scale of the urban system, and the physical parameters of the built urban elements, whilst at the same time addressing the walk-ability and permeability of the system and the social potential of the physical structures.

The granulation of the physical structure and the number of urban blocks of the chosen samples will be referred on two levels: the level of the individual city and a comparative mutual review. On the level of individual cities we will refer to three chosen samples (400m x 400m) which form one city cut-off (1600m x 1600m), where we can present the interval of granulation (number of urban blocks) for every city in particular. The difference in the number of urban blocks from these samples is in the following order: Venice 71, Skopje 42, Barcelona 36, Bari 33, Florence 22, Rome 18, Amsterdam 18, Vienna 13, Paris 12, Berlin 5. Based on a common value of the number of urban islands (400m x 400m) from the individual city cut-offs (1600m x 1600m) we have the following values: Venice 47, Bari 36, Rome 30, Skopje 30, Florence 29, Barcelona 27, Vienna 21, Amsterdam 20, Paris 19, Berlin 9 (Figure 12, Figure 13).

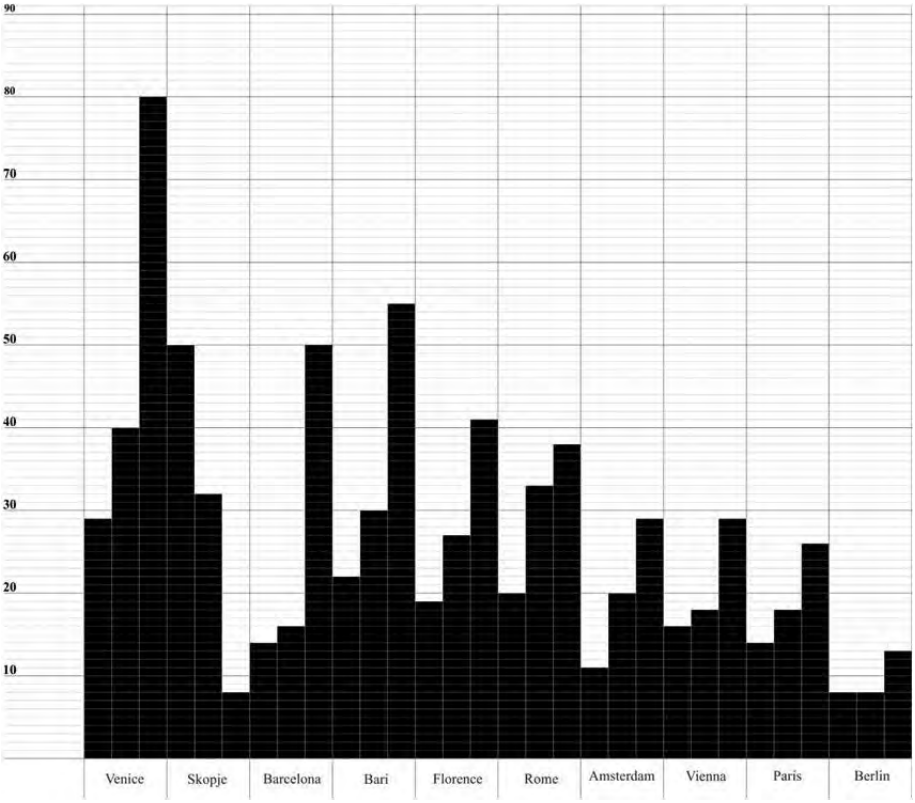


Figure 12: The number of urban blocks from the chosen samples (400m x 400m) on the level of individual cities (1600 x 1600m), on the horizontal axis, samples of different cities, on vertical axis, the number of urban blocks within the given sample.

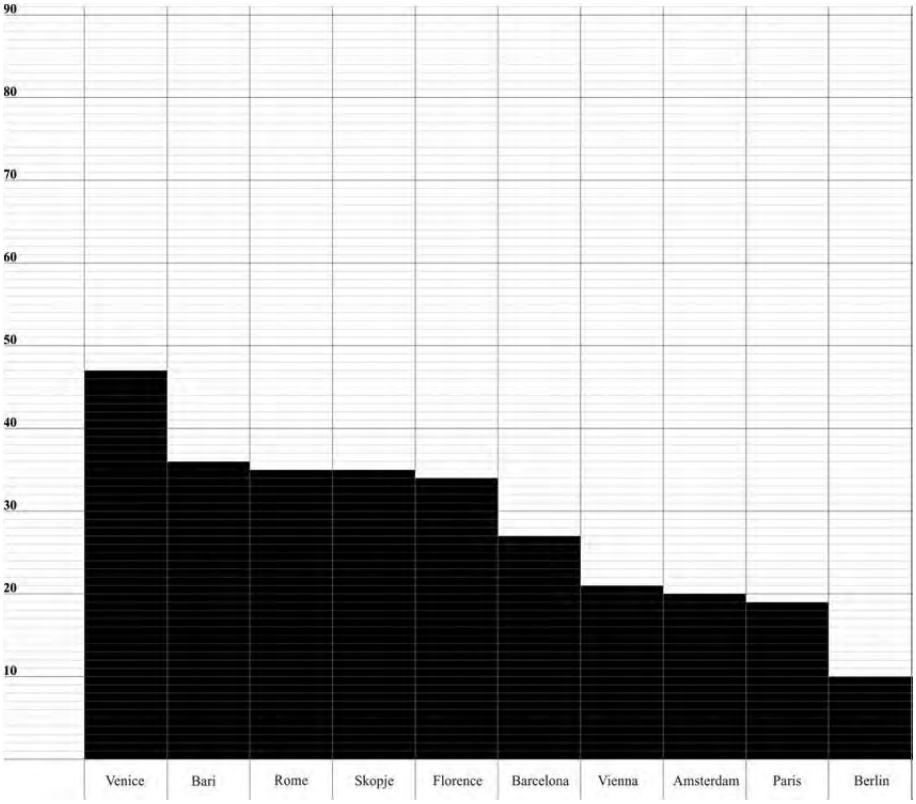


Figure 13: The common value of the number of urban blocks of the chosen samples (400m x 400m) on the level of individual cities (1600 x 1600m). On the horizontal axis, integrated samples from different cities, and on the vertical axis, the average number of urban blocks from urban samples within individual cities.

In the mutual comparative review of the samples from different cities we can now compare them through their different intervals of the number of urban blocks, from 0 to10, from 11 to 20, from 21 to 30, from 31 to 40, and above 41 urban blocks; from 0 to10: Berlin 8, Skopje 9; from 11 to 20: Vienna16/18, Rome 20, Paris 14/18, Florence 19, Berlin 13, Barcelona 14/16, Amsterdam 11/20; from 21 to 30:Vienna 29, Venice 29, Paris 26, Florence 27, Skopje 28, Bari 22/30; from 31 to 40: Skopje 36, Rome 33/38, Venice 40; above 41: Florence 41, Barcelona 50, Bari 55, Venice 80 (Figure 14).

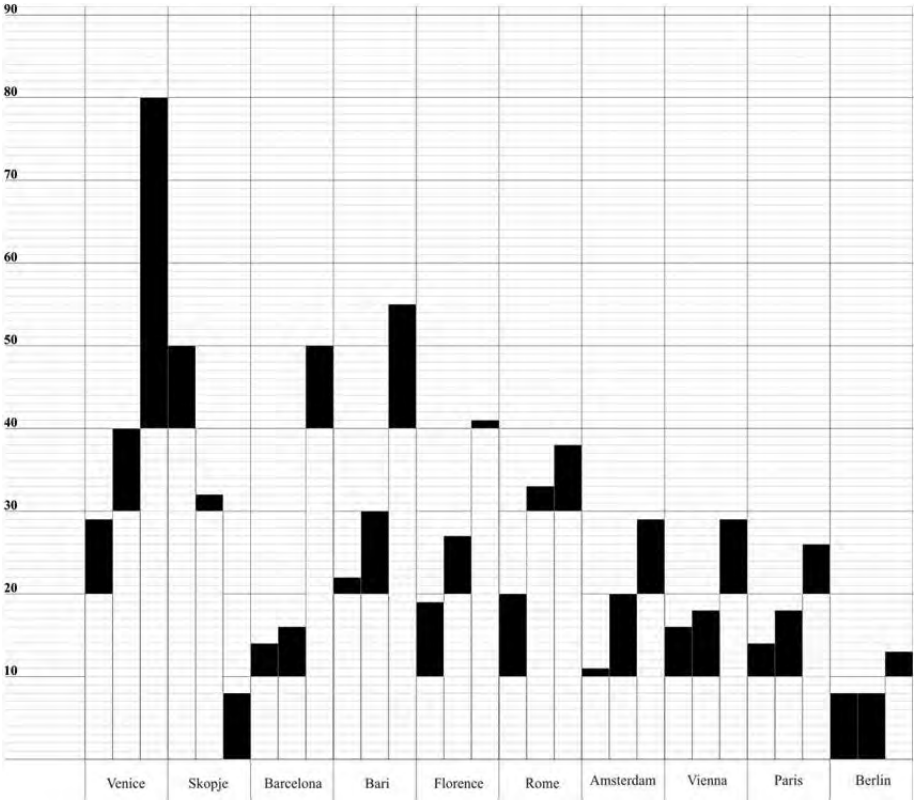


Figure 14: The comparable image of the chosen samples (400m x400m) of different cities (1600m x 1600m) according to the interval of the number of urban blocks

From these two reviews we can conclude that the biggest values of the interval of urban blocks on the level of individual cities, occurs as a result of the samples of the historical cores and their subsequent extensions, as in the examples provided by Venice 71, Barcelona 36, Bari 33, Skopje 27. Even in the cases of dominant textures we can conclude a certain level of variation in the numbers of urban blocks in relation to the chosen sample, Florence 22, Rome 18, Amsterdam18.

In the cases of a mutual comparison in the frames of specific intervals of the number of urban blocks it is apparent that if we exclude the minimal value of 0 to 10 urban blocks (two cities), all the other intervals from various cities are based on similar sizes of the city blocks, from 11 to 20 seven cities, from 21 to 30 six cities, from 31to 40 three cities, above 41 four cities. This shows the analogy of the composition in regards to the size of the urban blocks in different cities.

Samples from Skopje, Florence, Rome, Paris, Barcelona, Vienna, Amsterdam, Venice, Bari and Berlin, indicate that different morphological compositions can be separated in one city cut-off of 1600m x 1600m. Although the image of these cities is homogenous, in the socio-cultural and spatial relationship, their spatial identities are representative of a plural European urban culture. Analysis shows that in the central territory of these European cities we can recognize different morphological compositions. This now indicates that the deep structure of the city is in contradiction with the uniting artificial surface of the city. And while urban politics is always insisting on homogenization, to suppress and marginalize the differences, in the light of contemporary urban configurations this kind of perception of the unitary city should be examined, especially with regard to city formations which are still not dominantly consolidated under a certain dominant paradigm. This contemporary fragmented base of the city can be the basis for "the city of tomorrow", but not as a unitary, but rather as a plural system, in which the conflicting positions of the contrasting urban patterns can lead from a fragmented composition into a mosaic of a new plural system. What once was once a defect, a noise, antithetic, and incomplete, today should become an advantage, a plurality, and a diversity.

This analytical review of different city textures is based on a few presuppositions. If we acknowledge the diagram of solid and void relations as a base that can be extruded at a different level, then we can perceive European cities in terms of different height plans: low ground (up to 5 floors), medium height (5 to -8 floors), high (8 floors and above). In these different height plans we will separate two of them: low-rise up to 5 floors, as an ideal image of the preindustrial and pre-modern European city and extremely high-rise, more than 61 floors, as a suggestion of Le Corbusier in the first half of the twentieth century project "City of tomorrow". Both these height plans represent chosen samples as spatial bases of dynamic extrapolations. Two theoretical models of extreme scenarios, these examples present the dynamic possibility of the physical structure in the process of transformation. These different spatial patterns are not the subject of superiority in relation to a certain arbitrary model, nor of conservation or homogenization in relation to one dominant theme, but rather as having a pluralistic potential of various possibilities in the global process of transformation. In this aspect this pluralistic base of European cities, is the fundamental resistant level of one authentic identity in juxtaposition to the dynamic homogenization of new globalist processes.

This synthetic staging of different patterns in one united plan presents a hypothetical city of the plural urban figures of Europe. This city is composed of a

prime module 400m x 400m and in its frame there is an alteration of various samples, historical paradigms and anonymous cut-offs from the urban texture of the central regions of European cities. In it we have cut-off from Rome with Piazza Navona and the Pantheon, Venice with San Marco, Florence with the Piazza del Duomo, Paris with its key theme of the Arc de Triomphe, the repetitive orthogonal matrix of Barcelona, but also anonymous cut-offs from the tight knitting of the centre of Rome, the undifferentiated texture of Giudecca in Venice, and the inner blocks in Paris among representative urban themes. All these are parts of one repetitive system of uniqueness, the pan-European city of contradictory and specific parts, the theoretical model of a possible city of tomorrow as a model of unity and diversity, that is both permanent and transferable (Figure 15). But if this model represents an extreme scenario of the real physical structures of Europe, then it is an example of a new acknowledgment of every local situation in Europe.

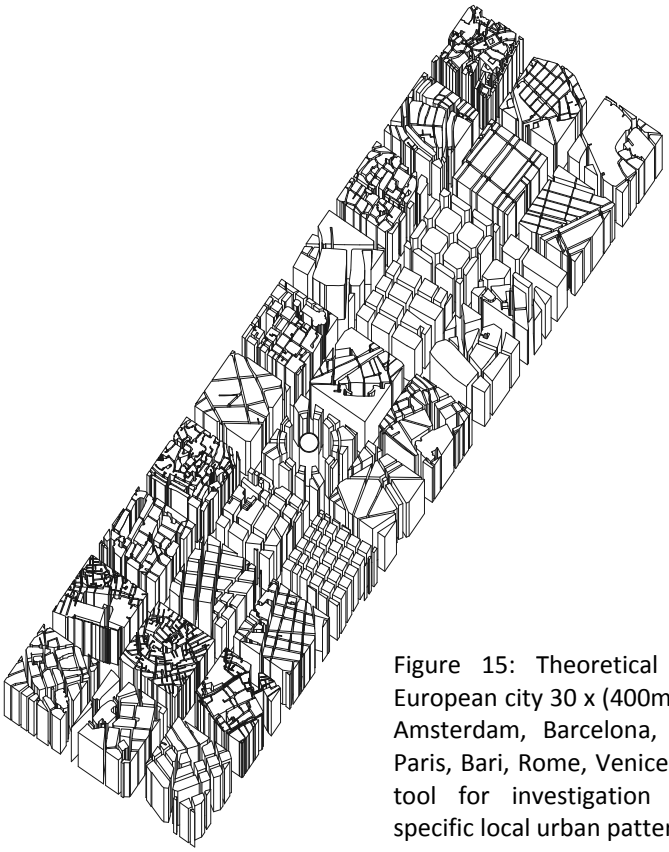


Figure 15: Theoretical model of Pan-European city 30 x (400m.x400m.), Skopje, Amsterdam, Barcelona, Berlin, Florence, Paris, Bari, Rome, Venice and Vienna, as a tool for investigation of potential of specific local urban patterns

Skopje, a City of Tomorrow

If we take the fragmentary basis of the modern city of Skopje as an example, we can see it as a city composed of different cities or pieces. What was once a single supervisory system, under which the entire living space was organized and dissected in various clippings, or fragments we are presented with different options. For those who still want to live in a Maalo type (small typical neighborhood) with colorful compositions, they can do so in the parts of Novo Maalo or Madzir Maalo, in houses with an authentic measure and proportion to their neighborhood yards. For those who want to live the former image of Vardar Skopje, then there are the bankside parts of the Madzir Maalo along the river Vardar. For those who want to enjoy modernist pieces of architecture and the park, they can choose the Prolet (Spring) neighborhood and its still authentic yard-gardens. For those who want to experience the structuralized concepts and experiments in a collective form as a mega-form, or mega structure, they can choose the layered composition of the city mall and the towers along the River Vardar or the concentric structure of The City Wall, to be in the area of mega-structural form of the university campus of Ss. Cyril and Methodius. For those who do not want to see architecture as an individual object, but rather want to see it as a dynamic relation with the mat as a kind of artificial topography, they may discover this in the Macedonian Opera and Ballet.

Indeed in the light of the idea of Europe as a city, as an infinite city made up of a variety of areas (Boeri, 2003, pp. 428-445), we must of course rethink the city as a poly-cultural and poly-archaic composition of different morphological forms and therefore of different socio-cultural forms, not as opposing and superior systems, but as a mosaic of systems that constantly builds and upgrades according to the needs and preferences of its residents.

Conclusion

The city of tomorrow, from the standpoint of 2014 stands against the modernistic city of tomorrow as seen from 1924. If the Modern assumes a superior model over the existing city, it is impossible to see the contemporary state of the city through an exclusive spatial system. In the example of Skopje we were able to follow the process of modernization which resulted in a disharmonious, heterogeneous and fragmented city. This diverse and unrelated composition of the city derived from the discontinuous urban

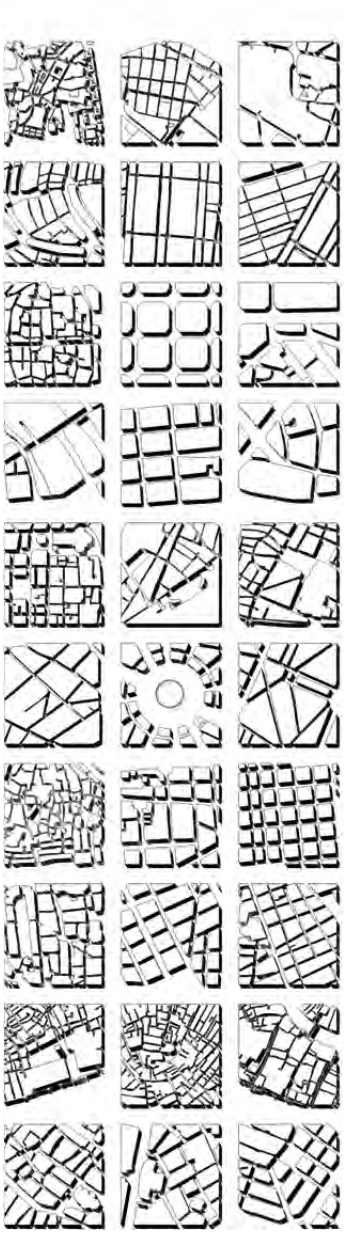
processes of Skopje, should not be seen as a flaw, or disadvantage, but rather as an opportunity, an accumulation of different ideas, different spatial forms, which get analogous and authentic meaning, at the same time, in a city which may be perceived as an *analogous* system.

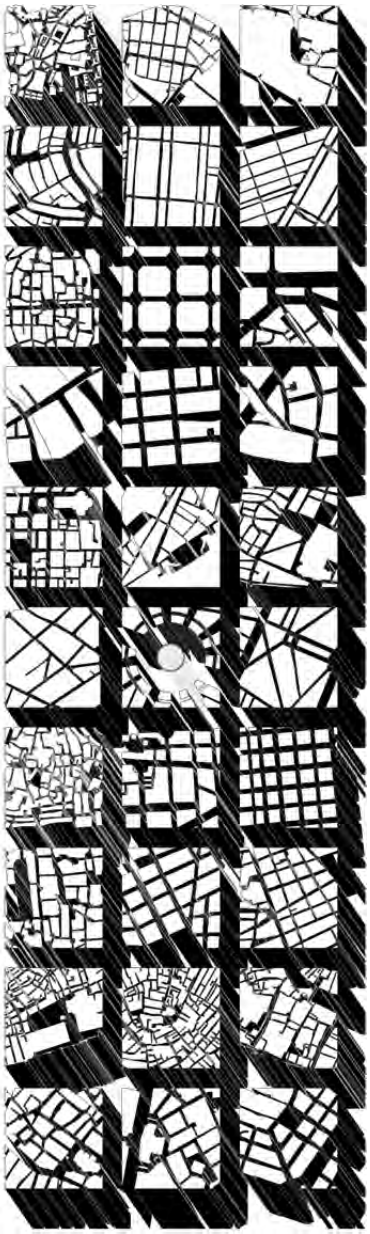
The comparative review of European city-icons showed that even behind the paradigmatic examples of sovereign urban images of famous European cities we can recognize diverse and conflicting positions. By constructing a theoretical model of a hypothetical Pan-European city as a library of patterns (Figure 16), composed with samples from different urban textures of various European cities we can derive some conclusions:

1. The city of tomorrow should grow from specific urban situations, or patterns.
2. The city of tomorrow should be an open and inclusive system of different morphological and socio-cultural items of the city.
3. The city of tomorrow should transform the contemporary conflicting, and inconsistent complex system from a city of fragments to city mosaic.

In this way behind the paradigmatic model of a modernist city of tomorrow through fragmented and heterogeneous contemporary urban reality we can recognize an exciting opportunity to create and live in many different cities tomorrow.

Figure 16: Pan-European City – 5 floors (Pre-modern City) and 60 floors (Modern City of tomorrow), different levels of heights transferred to specific urban basis of selected European cities, in order to show their ability of transformation.





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Urban Voids: A Creative Strategy and Spatial Challenge for the Cities in Transition

Marija Mano Velevska, Slobodan Velevski, Ognen Marina

Abstract

The last two decades have witnessed enormous socio-political and economic changes throughout the world which have had a considerable impact on culture. The phenomenon of transition was intensified and accelerated by the influences of a liberal market economy and new information technologies alongside socio-cultural developments, such as consumption and mass-media becoming an omnipotent machine for production and management. As a consequence the mode of transition was inevitably transferred into the city. Due to the socio-political shift the urban transition is particularly recognizable in cities in developing countries such as Macedonia. In this manner the city of Skopje represents a valuable and potent resource in the field of urban research. This paper points to spatial urban voids as a tool for restructuring and reinventing a new operational coherence for cities in transition. The concept of the urban void emerges as a creative strategy that sees the 'empty' space as spatial quality which could bring economic and social benefit to the community. Consequently, the scope and focus of this chapter is on the relationship between the formative narration of the city as represented through planning regulations and the market economy in a socio-spatial system of the cities in transition (Skopje) and the existing informal but spatially highly creative potential of urban voids as a dialectical amalgam that bridges public and private interests. The method applied follows a comparative approach that defines the limits and potentials of local realities and international experiences which are already engaging urban voids as a creative strategy. Three cases of spatial development in Skopje are compared with three spatial strategies of urban voids already carried out in a European metropolitan context in the city of Pula in Croatia, and Horde-Dortmund and Berlin, both in Germany.

Keywords: city; transition; urban void; socio-politics context; globalization; empty space vs. built space.

Cities in Transition - Global Experience

The fact that more than half of the world population today lives in different forms of urban agglomerations from the urban sprawl of the endless suburbs to extremely dense city centers makes the connection between the city and the society inevitable (Davis, 2006). This relationship strengthens and manifests itself due to the fact that the number of 'new citizens' rapidly grows each year, all over the world, thus making the city and other urban appearances the most prominent phenomenon of human civilization. Such conditions provoke a completely new nature for the city, inscribing the mode of change through the experiences of *trans*ition and *trans*formation as fundamentals.

This chapter considers the urban consequences and complexities that the wave of globalization brings to the market by the means of the greatest fluidity ever known; this is a connectivity between places and resources, as well as the enormous flow and exchange of information. The multiplicity and the layered nature of those phenomena make it difficult to outline, map and confirm with ease those socio-spatial effects that appear as a result of such tendencies in contemporary society, including cities as their inseparable and most valuable part.

The terms on which the world of globalization as a nodal system rely and function today were set in place by the end of the 1970s (Krugman, 1979). Since then, the phenomenon of globalization has been analyzed and defined by experts on the economy and by specialists who explain the logic of its behavior and its two major rules of operation: first, the need for constant exchange between the agents of production which by default are different and unequal, and second, their interdependence of exchange that is producing perpetual impermanence in the societal system, as well as the economy, politics, cultural structures and the spatial references of the city as the very subject of urbanity (Krugman, 1979). Represented as such, the process of urbanization becomes a global phenomenon and experience which directly influences the need for the reutilization and further appropriation of the core urban instigators such as urban population growth, relationships between the socio-political system and the economic structure, spatial issues and the programmatic allocation of land - all of them aiming to reflect the existing urban dynamics. In a condition of global networks of exchange, an economy based on liberal capitalism and the evident experience of rapid urbanization, the need for a redefinition of the very nature of the physical content of the city

inevitably emerges. In other words, this situation implies the recoding of the relationship between the public and private realms of the city and moreover, a balance among these two distinctive and fundamental initiatives for 'building' the city itself (The World Bank Infrastructure Group for Urban Development, 2000).

Cities in Transition – Local Realities

The determining course of globalization reflected in the socio-spatial organization of the cities affects every section of contemporary Macedonian society as well. The existing spatial strategy for urban development (most notably Skopje) is part of these encompassing processes. The specificity of the 'Macedonian case' is that besides the impact of globalization in the last two decades, the country has experienced a parallel process of political transition from a centralized economic system to a free market economy. This socio-political shift has necessitated an entire redefinition of property law in the country that has implied a transfer of land property from state to private ownership. In exceptional situations such as when the institutional instruments of the state (central government and local municipalities) were still weak at their very beginning of their formal experience, the building industry, the free market economy and real estate profits became the major stakeholders in defining the spatial environment. This meant that they directly influenced the planning strategy and structuring of planning laws reflecting the changeable need of building speculation, thus making them completely unstable and impermanent. As a result, since the 1990s building regulations in Macedonia, the actual engine behind any spatial transformation, have changed more than twenty times which means that sometimes they have been performed even several times per year (Zakon za prostorno…, 2013). Skopje as a major city is a role model of such a planning reality.

This spatial impermanence which has had an enormous impact on the social dynamics of the city is deeply inherited and historically rooted in Skopje. Especially, in the last hundred years when the city was constantly treated as an urban visionary test-ground, where the model of a tabula-rasa has been confronted by each successive ideological and political regime or belief system where previous approaches and developments have usually contested and denied by each successive regime. In a typo-morphological sense the initial spatial references in Skopje could be traced from the medieval remnants of Byzantine fortifications, further layered with an urban tissue of oriental origin,

converting itself under permanent modernization throughout the 20th century. So that the picturesque Camilo Zitte planning at the beginning of the century, was introduced to the recognizable remnants of the Ebenezer Howard garden city, only to be followed by the early modernistic attempts of Miljutin's rational linearity revealing the mechanical creation and functionality of the city, successively recognized in plans for Skopje made by Dimitrie Leko, Josif Mihajlovich and Ludek Kubes (Bakalcev, 2004).

The period after the Second World War is marked by three distinctive occurrences that have had a direct impact on the socio-spatial character of the city of Skopje. The first one is the extensive migration of people into the city from the rural areas of the country. The second one embodies the strong urbanization of the city that subsequently began at the end of the Second World War and has continued in the aftermath of the highly destructive earthquake in 1963. The third and the last period that still deeply influences the socio-spatial structure of the city refers to the change of the political system following the break-up of Yugoslavia.

Urban Voids – Genealogy of Contemporary Space

The current global reality of the liberal capitalist market economy has also contributed to the already complex spatial condition of Skopje as a vibrant city in transition that emerged as a result of socio-political change. Transition in Skopje recognizes two key aspects that further influence its spatial character. The first aspect has been the introduction of a loss of provision by the state as a result of the general political and economic shift, whilst the second aspect refers to the impact of the market economy on the processes of creating a competitive and speculative environment. As an effect on the spatial level Skopje faced an enormous shift from public to private land ownership that further deconstructed the general balance between the public and private realm and its contribution to the urban quality of life. The situation was, as such, supported by an absence of legislative control that would have prevented the pressure of privatization on the public space. The most obvious examples of this change of the use of space can be traced in the erasure of open public areas and their conversion through building initiatives. Furthermore the inability to maintain existing free green space directly impacts on the quality of the environmental condition. The aim of this chapter is to acknowledge the importance of open public space for the city through the phenomenon of the *urban void* as such.

Thus, the notion of *urban voids* in this chapter appears as a tool that is part of the broader strategy for the city and refers precisely to the open space in the abovementioned contemporary urban context. The essence of understanding the spatial notion of an *urban void* lies in the smooth sensibility it possesses in explaining the multiple natures of the imaginary deliria of the contemporary city. Empty space or the absence of space which the *void* offers is actually building the reality with the non-architectural presence. In the twin brotherhood of politics and economy in which the society of late capitalism is saturated with messages, symbols, emblems and images of hidden significations, it is exactly the hollowness of the blank, empty space itself that is becoming a possibility, as a new superstructure of the city. The *void* is not about the lost that should be simply replaced and in-filled again by something else, but it is the actual existence in itself of a kind of post-architectural city. It holds the character that can preserve the spatial qualities of the place which on the other hand is simply being lost by the extensive re-building or re-planning of an emptiness in contemporary urban environments.

The latent modernity incorporated in the character of the *urban void* is revealed in its nature that can support a bigger congestion in the meta-spatial structuring of a certain *place*, thereby revealing a density more frequently than any other physical presence does. Hence, the *void* is a ready-made product, a field of hidden potential capable of generating programmatically even greater and denser urban conditions. The *void* is prepared to open itself up and accept the condition of hyper-reality as part of the current need, ready to immediately offer and transform itself.

The city is a network, and like any system it is responsive to its surroundings. The spatial *urban voids* are contextual phenomena. Their presence emerges directly as a result of the spatial regulation and planning of their surroundings. Namely, they are spatially designated only when the immediate areas around them are spatially regulated, or more precisely over-regulated (Doron, Dehaene & De Cauter, 2008). Therefore *urban voids* are coded as places of the in-between, or the 'planned' city. In other words, places which are not defined by means of the existent planning strategy for the city. Their nature of being, with the emergence and existence of being 'out and beyond' the system of planning, designates their non-utilitarian and transformable character. As such they represent places of resistance toward the domination of the present culture of consumption in today's highly materialistic society. The novelty of the *void* reacts on the tendency of the global. This relationship is like the camouflage concept in nature, where embracing means to sustain and survive.

Urban Voids – Local Challenges vs. International Experiences

As we indicated previously in this chapter the tendency towards over-regulation and spatial control of traditional ways of planning in market driven economies leads to the evaporation of open urban space (*urban voids*) and a diminishing of public activities in cities that are in transition. Furthermore, such an urban development produces new spaces for the sort of consumption and economic proceedings that aspire to replace social activity and interaction. In addition to that, citizens are being seen and treated as mere consumers rather than as active participants and creators of their own living environment.

The urge to regulate and urbanize every piece of land results in the complete erasure of vacant lots which are the only reserve of free space inside the territory of the city. On the contrary, this chapter underlines the importance of free space as a model that challenges the turmoil of cities in transition. In order to identify the creative and strategic potential of *urban voids* we point out three examples of unoccupied urban areas in Skopje where the existent quality of the 'vacant' is not recognized as a spatial resource. Furthermore, we draw a parallel with three other cases and project initiatives in three different European cities which have taken place over the last decade in which existing *urban voids* are considered as valuable resources for the urban development of the city and open completely different planning approaches engaged with the quality of the 'emptiness' of the *void*. In that sense the concept of *urban voids* argued for in this chapter is closely related to the notion of *terrain vague* described in an essay by the Spanish architect Ignasi de Sola-Morales, as an empty and abandoned space in which a series of occurrences have taken place, but also as a space that assumes the status of fascination- the most solvent sign with which to indicate what cities are and what our experience of them is (De Solà-Morales, 1995). The concept of *terrain vague* or *urban void* for that matter is based on understanding vacant spaces as a hidden potential and precious opportunity for creative and spontaneous interventions in contrast to the predictable (over)programmed and (over)regulated places in our cities.

Although urban voids could be found in the most subtle breaks in the dense urban tissue, this chapter focuses on the large scale ruptures that appear as part of a reprogramming and requalification of existing capacities, whether due to the change of ownership, land use, or the transformation in political and economic conditions. The cases exposed in this chapter refer to the requalification of industrial, agricultural and military areas in the 'post'-era of a contemporary urban context.

In this research we recognize three model principles under which the *urban void* could operate on the level of strategy. The recognition of the spatial tactics of the *revaluation*, *re-evaluation* and *preservation* of land as a tool for the rethinking of planning activity actually represents the socio-spatial impact of the strategy of an *urban void*.

Firstly we will explore the urban voids that appear as a result of abandoned industrial capacities due to changes in the production line or market reorganization, taking the example of the former Treska furniture factory. Located in the broader central area of Skopje, the former industrial plot covers less than 10ha (fig.1), and it is surrounded by a densely populated residential area. The factory has been out of work for the last decade, but due to its central location the area it covers is used for various purposes related to small-scale businesses, varying from storage and light industry production lines to office space.

The planning proposal (Institut za urbanizam soobrakjaj i ekologija, 2013) for this area changes the land use and converts the existing industry into housing blocks, thereby erasing any possibility for a *revaluation* of the surrounding area (fig. 2). What this proposal does is following the model of the surrounding buildings with no critical examination of the origins of the built morphology and spatial practices and no creativity and vision in overcoming the problems that already exist in neighboring sites, caused by an extensive densification and an inherited yet hardly adequate infrastructure. Therefore it is expected to contribute only in producing a more complicated and devastating situation and the further decline of open space per capita as a general tendency in the city of Skopje (Reactor research in action, 2013).

In opposition to that we argue that the former Treska factory site, being located within such a dense residential area, has enormous potential as an urban void that would *revaluate* the district and the city as a whole. Numerous international cases go in favor of this statement, one of which being the former iron and steel works in Dortmund suburb of Hoerde, Germany (fig. 3, fig. 4). The pioneering new Phoenix development (fig. 5) spreads on a much wider surface (200 ha) compared to the Treska site, which makes it also a much more difficult and uncertain task in terms of finance and politics. Namely, the fact that the whole ecologically devastated landscape resulting from long term heavy industry usage has been transformed into a new urban landscape working hand in hand with nature, thus creating a whole new living and working experience (fig. 6, fig. 7).

Although much more complex and extensive, the Phoenix development generally evolves over the Phoenix Lake as an urban highlight, or an oasis in the city which was made possible after dismantling factory buildings and a variety of processes with regard to the decontamination of the soil in the eastern part. That is accompanied with the site intended for new industries in the west which has been transformed into a hi-tech park for micro and nanotechnology, IT, production technology and sector-related services (Mager, 2010). Notwithstanding the indisputable prosperity of the technology clusters for startups as well as the attractiveness of lakeside housing, on this occasion we would stress the effect the new Phoenix development has over the existing urban structure. Not only that the Hoerde district has added new leisure impulses from its 'natural' landscape, but also that it has been revitalized by new businesses, shops and events which stop the phenomenon of shrinking as Hoerde was an explicit case of a shrinking city less than a decade ago. On a larger scale the city of Dortmund has reclaimed lost urban areas and injected them with a new life and vitality that is raising the value of the district down to the scale of each housing or working unit. It speaks of *revaluation* as a truly sustained structural change.

What the detailed urban plan (DUP) for the Treska site anticipates, can be seen in action on an entirely diverse location - at the Eastern fringe of the city of Skopje, where the Aerodrom settlement meets the Lisiche semi-rural areas. Here, we are referring to a territory of approximately 30 ha mostly (over 90%) agriculture land accompanied by detached housing (fig. 8). The green open-air fields with the highest soil quality had been actively used for agricultural production until a new plan was imposed (Institut za urbanizam soobrakjaj i ekologija, 2010) completely erasing the site-specific lots and substituting food production with housing blocks and a new shopping center (fig. 9). During the last three years, 25% of the proposed developments have been realized with building activities still going on at the time of writing. The outcome is altogether a different condition that has no relation with the previously active agricultural tradition, but shares the real-estate logic whereby landowners are being transformed from cultivators into mere consumers.

We argue that it is necessary to recognize the spatial, economic and social qualities of the site before acting upon it, which calls for a *re-evaluation*, alongside a profound reconsideration of the need for such pervasive building activities when generally-speaking the population of Skopje is actually shrinking (State Statistical Office, 2002).

On the other hand, Berlin is an exceptional example of a European city that has been marked by population growth during the past few years, mainly due to new incomers, which has resulted in an increasing number of individual households. One of the biggest urban development projects aimed at responding to such a demand for residential units is taking place on the ground of the historically important site of the Tempelhof Airport in the southern downtown area of Berlin (fig. 10).

The Master Plan *Tempelhofer Freiheit* (fig. 11) illustrates the strategic basis for the future development of urban districts in the tradition of a typical European city. Located on the outskirts of a central park landscape in conjunction with the airport building, the *Tempelhofer Freiheit* development presents an opportunity for combining residential and commercial sites along with culture/leisure activities in a special site with a unique identity. The project of Tempelhof Park forms the very core of the entire site's development. It will not be 'developed', but rather will remain an ecologically important open space in the middle of the city and simultaneously act as the driving force behind the careful structural and architectural development at the park's perimeter belt (Tempelhof Projekt GmbH, 2009).

The proposed plan is the outcome of a long process of interim use and represents the epitome of participatory planning, in which interim and creative uses are directly integrated into planning the future of the park. In other words, when the Airport was shut down for flights in 2008, it was opened to the public as a park while the planning process was going on. Given the opportunity to participate (pioneer and use), people were creatively using and developing the site: from biking and rollerblading on the perfectly flat runaways, with BBQ and picnic zones in the grass, alongside camping out with family or friends, and taking evening walks, or working on community garden plots scattered between the two runways.

The participatory approach involved cooperating with more than twenty years of spontaneous and informal temporary use of undeveloped land that has been typical in many parts of Berlin. But as the notice board at the entry of the park points out, Tempelhof Park marks the first phase pioneering and interim use as being specifically integrated into the planning process – as the driving force behind a procedural and participatory approach to urban development. Thus, through processes of *re-evaluation*, the airport ground that was separated from the city for 100 years is now growing together with the city and its citizens.

The last example that we will examine in this chapter concerns the controversial plans for new developments taking place on the territory of a

former military area as in the case of the Skopje military base at Ilinden and the one in the bay of Pula in Croatia.

The Ilinden military facilities in Skopje (the largest in Macedonia) span an area of almost 100ha that spreads on the border line of the inner city (fig. 12). The military infrastructure has been hidden in something that was taken for being a natural landscape although it had strict restrictions regarding access. With the recent shift in military practice of the state and Macedonia's application for NATO membership, those vast lands were given back to the city and local municipalities and immediately put on the drawing board, providing the state and institutions of local governance with the opportunity for turning what was once a piece of wilderness within the cityscape into yet another building site.

According to the detailed plan for urban development of the site (Agencija za planiranje na prostorot na RM, 2011), the former Ilinden base is to be transformed into a new residential area, ranging from single family housing through to social housing, up to high-rise (80m high) residential buildings, followed by commercial and administration facilities, and services in the sphere of education and culture (fig. 13). Although announced almost three years ago this mega-development has since ceased to be realized, mainly because of the high cost of land (Valjakova, 2014). The Government is ready to reconsider the rate, but it comes as a surprise that no one has thought of reconsidering the very plan itself which does not offer anything special in comparison with other so-called elite-residential developments which already exist in the city (Zlokukani, Olimpisko selo, Soncev Grad).

Keeping in mind the previously elaborated examples in this chapter, we argue for one more possible way of dealing with *urban voids*, namely the spatial tactic of *preservation* as a planning tool that would protect the site from the harmful actions of colonizing and imposing form and order and thus turning the wilderness of the landscape into the uniformity of the prevailing cityscape.

Coming from a similar cultural and political background, the case of the former military area in Pula follows a similar tendency. By the demilitarization of the restrictive area that has cut off the city from the sea for 100 years, the city has finally been given the chance to reconnect with the sea (fig. 14). Nevertheless the latest developments that the official planning system is proposing are intended primarily for expanding tourism (fig. 15). Despite the general description of proposed projects as public space these new developments tend to privatize the area and once again cut the citizens of Pula off from the seaside in the name of the great tourist industry as the leading

engine of late capitalism. Under these circumstances, in 2006, an informal group of architects and concerned citizens of Pula (named the *Pulska Grupa*) started up the Katarina 06 project with the main goal of creating a strategy for the revitalization of the bay, above all relating to public interest and local needs. By means of recognition, re-appropriation and the defense of common urban spaces, the project, or even better, the Katarina 06 movement attempts to develop a bottom-up model of planning as a reaction to the top-down planning methods used by the state. In such decision-making processes temporary uses are of primal importance, given that the revitalization of a former military zone is to be founded on planning through utilization (Jurcan, Mladinov, Percic, & Strenja, 2006).

The extensive discussions between municipal authorities and citizens raises a great challenge to re-inventing the sea-side for other activities besides tourism being the obvious one. Whether it would be extension of the University facilities or a program that reinforces the local fishing tradition, the citizenry p is striving to *preserve* the openness of the Pula shore so that the city can be reconnected with the sea as in its present condition after the process of demilitarization. *Preserving* the existing condition would mean keeping the process unfinished – fulfilling the concept of an *urban void* with endless possibilities, and making the approach of an open end a valuable planning strategy.

Conclusion

The context of growth and transformation in dense and contested urban environments as described on the case of Skopje are not exclusive to that particular city, nor to the region but are rather the results of the general condition of rapid urbanization which is expected to continue over the next few decades. Cities worldwide are constantly faced with transformation processes rooted in economic growth or the decline and demographic fluctuations that greatly affect urban infrastructures which become a major issue in the sphere of politics, planning and design.

In the vibrant environment of market driven globalization and its urban consequences there is an obvious necessity for the reassessment of a city's resources and potential. What the current planning practice exposes is a clear tendency to fill up every open space, and to continually densify the built environment in the name of urbanization and progress in what are understood as quantitative rather than qualitative properties of cities as living

environments. Moreover the community has been marginalized in planning and decision-making processes which are dominated by capitalist forces. As opposed to that position this paper aims to challenge a sustainable, healthy and livable urban environment both in economic and social terms where *voids* are not at all empty but full of potential, places where life is not at all absent but on the contrary- where lively (urban) relations are being created.

While local experiences as shown in this chapter on the case of Skopje speak for an explicit neglecting of potential of *urban void* as an urban strategy, we reveal international urban redevelopments that seem to be going through similar transformation processes, but where the transitory stage of the place is playing a crucial strategic role in rethinking the process of urban planning and decision making as well as redefining the public space.

Although acknowledging the value of spatial *urban voids* leads to understanding their existence as a workable urban strategy, the reality still holds open the question whether we are capable of accepting such spatial indeterminacy as a constitutive part of urban morphology and whether we are able to grasp the opportunity to creatively imagine and program space without architectural presence. Raising this question is especially important in the contemporary urban condition of intense building and extreme density on the one hand, and the shift of a city's public realm towards the 'privatization' of space, on the other. We argue that in the ambiguous and transitory conditions of contemporary society, the concept of an *urban void* represents a dialectical amalgam that bridges public and private interests and critically rethinks the role of community as a ground that provides a common good and brings back the ethical dimension of the city.

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Fig. 1 Treska factory area Skopje, existing situation 2013 (Google maps)

Fig. 2 Treska factory area Skopje, DUP Bunjakovec 2, 2013
(www.opstinacentar.gov.mk)

Fig. 3 Iron and steel works area Hoerde-Dortmund, situation 2002 (Google maps)

Fig. 4 Iron and steel works area Hoerde-Dortmund, situation 2006 (Google maps)

Fig. 5 Phoenix Project for Hoerde-Dortmund, 2010 (www.phoenixdortmund.de)

Fig. 6 Phoenix Project for Hoerde-Dortmund, 2010 (www.phoenixdortmund.de)

Fig. 7 Phoenix Project for Hoerde-Dortmund, 2010 (www.phoenixdortmund.de)

Fig. 8 Agriculture area Novo Lisiche Skopje, situation 2006 (Google maps)

Fig. 9 DUP Gorno Lisice UE “A” Skopje, 2010 (aerodrom.gov.mk)

Fig. 10 Airport Tempelhof Berlin, situation 2006 (Google maps)

Fig. 11 Tempelhofer Freiheit_Master Plan, 2013 (www.tempelhoferfreiheit.de)

Fig. 12 Military area “Ilinden” Skopje, existing situation 2013 (Google maps)

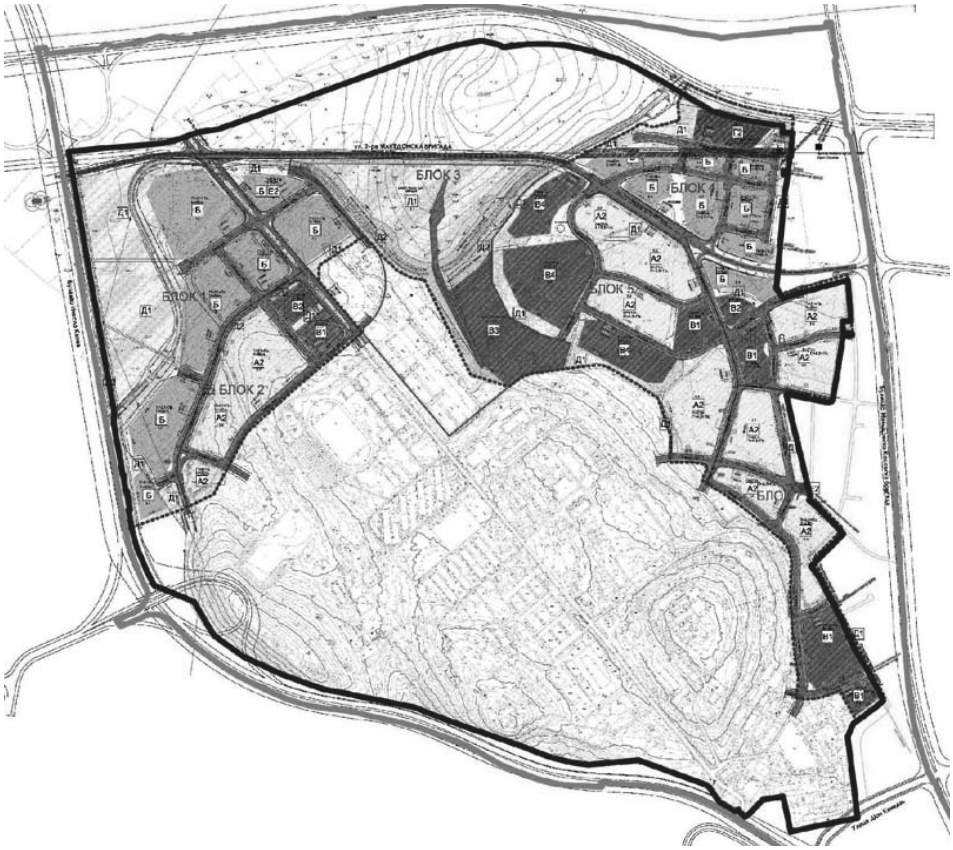

Fig. 13 DUP Kasarna “Ilinden” Skopje, 2011 (www.karpos.gov.mk)

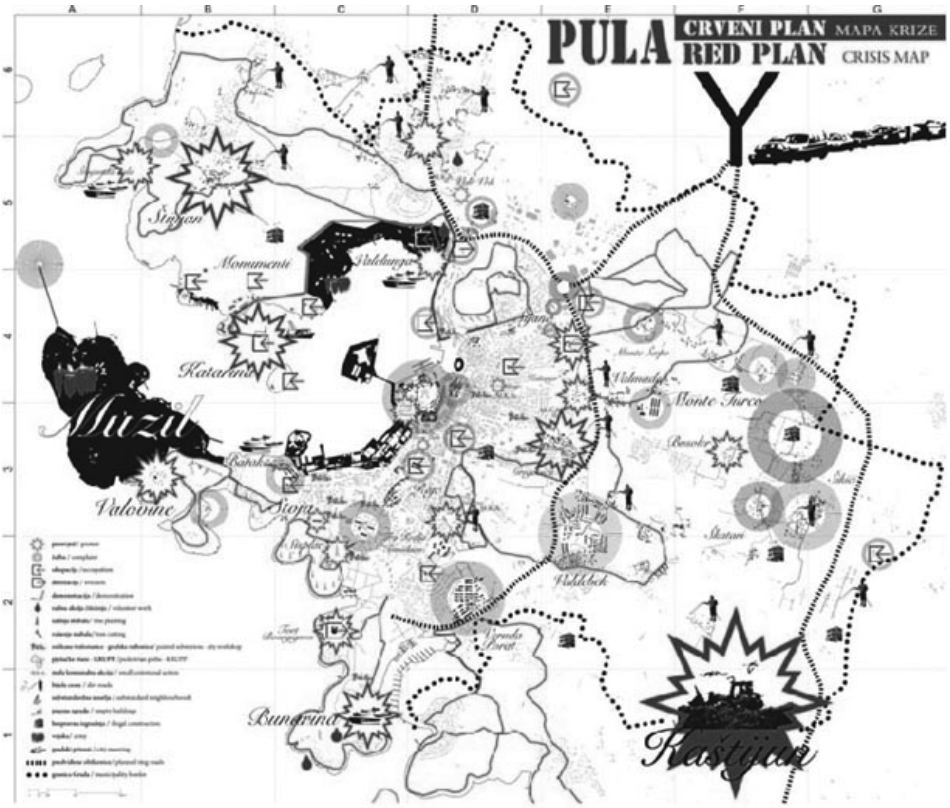

Fig. 14 Military area in relation to the existing city of Pula, 2006 (Pulska Grupa)

Fig. 15 New developments for Pula seashore, 2011 (De_Arhitekten Cie)

Urban Strategies for the Future Development of Turin and Skopje: The Economic Crisis and the Effectiveness of Urban Design

Ognen Marina, Alessandro Armando, Slobodan Velevski

Abstract

This chapter focuses on issues of the effectiveness of urban plans in the context of contemporary European cities, by mainly considering the subject of the physical transformation of public space connected with building development. The comparison between Turin and Skopje aims to highlight the possible role of urban design tools and planning (especially diachronic visioning), in the future of the sustainable growth of urban European systems. In order for strategies for envisioning the urban plans that are required, to become effective, strong support from political power and economic feasibility is essential. How can we consider the production of plans when this support is lacking? The crisis of the building sector throughout Europe in recent years has underlined some weaknesses of this approach to plans which had been a good instrument from the perspective of economic and physical growth. This paper assumes that the urban plan will continue to be a fundamental instrument for managing the future transformations of our cities, if we are capable of rethinking it as a device for reassembling and including many other implications, beyond those which are usually considered in drawing up the material shape of things to come. The paper will finally attempt to describe some strategies for rethinking the urban plan envisioning from a methodological point of view.

Keywords: urban plan, urban visioning, implementation, decision-making, sustainability.

Introduction

The urban habitat has become the main place where the majority of people live, and by 2020 80% of the European population will be living in cities, while 69% of the population of Italy is already living in an urban environment and more than 59% of Macedonian citizens are living in urban areas (The World Bank, 2013). We can imagine that in the coming years development and transformation strategies will radically change, from a political point of view. Likewise, urban design skills and devices will have to guide and interpret these sorts of changes. What will be the role and usefulness of designing the future shape (on every scale) of the city in a European context, where in few years we will have more population and less economic resources to invest in the transformation of their public spaces and infrastructures? How do urban planning tools interact with the political level and decision-making processes if the power of governing them seems to be scattered among different individuals and bodies, who usually follow conflicting and independent purposes?

The challenges of contemporary urban transformation have surpassed its economic aspect and emerge as a social, environmental and spatial crisis with a tremendous effect on the social fabric of local communities. While global trends show a profound growth of the urban environment through the transformation of cities, the involvement of citizens in the process of imagining and building our cities remains seriously undermined. The real challenge of the urban future of our cities is how people can live together and better in rapidly changing cities? We know little about how people in complex urban settings embrace patterns of transformation and social cohesion and why they might lean towards conflict. This condition necessitates the creation of innovative partnerships between policy makers, researchers and citizens to meet tomorrow's challenges including sustainability, improved equity and a better quality of life in a more inclusive society. This chapter will move from a theoretical perspective which considers the urban plan as a complex set of practices and devices which have to be put into a hierarchy of values and priorities rather than leading to the rationality of transformation through a prescriptive design (Armando, Durbiano, 2009; De Rossi, Durbiano, 2007). The interpretation of the present crisis of the building sector as a primary vector for economic development in Italy and in Turin comes from the analysis of the socio-political context by the political scientist Silvano Belligni (2008) and from surveys conducted by the geographer Giuseppe De Matteis (2011). About the

possibilities of proposing new urban design and planning tools, the theoretical framework will make reference to studies on urban controversies (Yaneva, 2012) within the broader context of the Actor Network Theory with particular reference to research by Media-Lab at the Ecole de Science-Politiques in Paris (Latour et al., 2012).

Based on the aforementioned research this chapter intends to explore some methodological possibilities which would enable the urban plan and imaginative visionary practices to be articulated in a wider range of tools, starting from the reconsideration of the potential of design production.

The text opens with a comparison of the relationships between the urban economy and physical transformation processes in the cities of Turin and Skopje, emphasizing the strict boundary which connects the two dimensions; then, the comparison embraces the forms of urban policies and the structural articulation of urban governance. The frame of governmental structure opens, in the third part, with the limits of the present use of urban plans in those governmental and economic contexts. Finally, this chapter suggests some strategies for a different approach to provide further urban design and planning tools and practices.

Turin and Skopje: Two Cities, Two Realities

The cities of Turin and Skopje are used as case studies because they both have developed plans and visions about the transformation of a portion of urban land, which has become available from an infrastructural axis and its surroundings (in Turin, the Spina Centrale Project, and in Skopje the Southern Boulevard). Even if in different contexts both on an economic and a political level, the two cities have used the chance offered by a large transformational process as an attempt to re-launch the governance of the urban system.

The comparison therefore arises from a similarity of the challenges to the process of transformation, approaching urban change from the point of the development of infrastructure while changing the nature of the city. This analysis stems out of the assumptions that the two cities are confronting new administrative and transformative challenges in different urban contexts.

The City of Turin has a €1,3 billion annual budget. This means that every year the city has to find incomes from taxes and profits on its own at 90% (in 2012 the State provided €107 million on a total of €1.3 billion). We have to consider that the incomes from city taxation on construction activities are between 5 and 15%, but they reach 25-30% considering fines and

integration fees. In this situation the city has to encourage new and decreasing investments in the building sectors, according to the market rather than to an autonomous vision for long-term development.

Turin had been experiencing a true renaissance over the last 15 years. Not only because of the winter Olympic events in 2006, but also because of a long term strategy of governance, which was deeply intertwined with an agreement between the political and economic élites (Belligni, 2008) of the local system. In his essay Belligni draws attention to the implicit strategy of this phase of development, as an "anomic modernization", on one side the city which improved its manufacturing system, arising from its urban structure and its international appeal and competitiveness. On the other side, Turin privileged economic and material growth rather than the improvement of social and environmental quality, the distribution rather than re-distribution of opportunities and resources, the élites' governance rather than the citizens' participation. This re-launch of the urban system was strongly based on a territorial strategy, which started with the Piano Regolatore by Vittorio Gregotti and continued through the two Strategic Plans of 2000 and 2006, up to the works for the Olympic Games and the completion of the first underground metropolitan line.

In this phase the city grew up and, in general, it managed to exploit private building development to fund the implementation of public spaces and services and to recover the historical centre. This mechanism allowed the city government to exploit urban design instruments as an effective device for negotiating and forecasting the possibilities of future developments. There was, or there was supposed to be, a reliable correspondence between the drawing of the transformations, the amount of building areas, and the size of the opportunities in renovating the city. This seemed to be the only way to predict a better future for the urban system, and the only way to get money to improve the urban quality of physical space – that is the architectural quality of the city.

The growth of the Real Estate bubble between 1998 and 2006, and its consequent burst between 2006 and 2010 in all the "developed" countries around the world has its specific features in the Italian cities. During the 2000s the houses in the big Italian urban areas had a yearly 9% increase of value (more than gold, which had an 8% yield per annum). At the same time, the construction cost was about €1000 to €1.200 per m^2, on a €4,000 to €6.000 per m^2 average selling price. The result was the production, in ten years, of 30% of the whole residential stock of the Country (De Matteis, 2012).

In the same period Skopje was a city in transition affected by the transformation of society, a transition towards a market-oriented economy, and radical changes in urban plans and a fragmented urban structure. The complex process of transition has been profoundly influenced by the transformation of the existing social and economic structures and the establishment of new ones. The long-lasting process of transformation in the country was marked by a slow pace in the development of infrastructure, a rapid urbanization of residential areas and the densification of the city center. It is notable that at the same time the city went through a process of radical de-industrialization, mainly due to reasons that were completely different to the process of de-industrialization in Turin during the same period.

The City of Skopje has a total yearly budget of €86 million. The incomes from city taxation on construction activities are between 5 and 15%, but they reach 20% when one takes into consideration taxes and other fees (City of Skopje, 2014). Both the central government and the city encourage construction activities in the city but the budget income is mainly based on the sale of state owned construction land and property taxes. The process of transformation has been marked with further changes of the structure of the city due to the heavy de-industrialization and the decline in services since the beginning of the 1990s, whereby the outskirts of the city as in most of post-socialist cities have remained under-urbanized with a high level of unemployment throughout the urban areas (Tsenkova, 2006). Nevertheless, the process of transformation of the city in the post-socialist period and especially in the period of the last decade of the 20th century has been marked with speculation in construction land and activities on a small scale involving land and flat owners to becoming partners in a small entrepreneurial activities transforming the face of the residential areas by changing building by building, block by block. At the turn of the century the process of urban transformation had shifted towards the commercial center of the city followed by the interest of foreign and domestic investors in the purchase of state owned construction land with the purpose of constructing new and large trade centers. The characteristic of this process differs from the previous period by the fact that larger parts of the city have become the subject of urban change promoting the typological and functional transformation and privatization of the urban parts at the same time.

While the development of new large industrial compounds in the urban area in the past has served as a tremendous attraction to a new labor force, the contemporary process of de-industrialization has caused a large

decrease in the number of employees in industry while remaining and dwelling in the city besides the change in the status of their employment. This development prompted the expansion of vast urban areas that are covered with industrial infrastructure but remain beyond the process of urbanization and urban transformations. This condition of *terrain vague* in the city has created huge voids in the urban structure while the urban population either remained the same or has even experienced some growth. This caused an increase in pressure on the residential areas and especially the densification of the center of the city while stretching the limits and sub-urbanization of the city (Tosic, 2004). It has also determined the de-urbanization of areas as a consequence of a change in land ownership in all parts of the city and has created a specific density gradient of the post-socialist cities with "peaks" and "troughs" distributed in relation to their proximity to the city center or the suburbs (Bertaud, 2004).

Nevertheless, it is evident that the role of urban governance has been affected by deep differences in the two cities. In Turin the city transformation has represented the embodiment of the political legitimacy of two mayors for fifteen years and to a large extent it can still be considered as a strength of the local context. In Skopje, by contrast, the opportunities to exploit the building development were merely oriented to economic profits, according to fragmented occasions and without embodying the identity of a political subject. In place of any strategies of governmental representation through the urban vision of a new structure of the city, politicians have been pursuing the materialization of national identity through punctual monuments. It is a matter of fact that the overlapping of the national and local dimension on Skopje as a capital city has encouraged this attitude: but the control of the implementation of building through detailed plans by the local municipalities could explain more concretely this fragmentation of the urban policies, as well as the lack of a political representation of their systemic relevance to the city.

Urban Policies and Plans: A Comparative Description between Turin and Skopje

In Turin the Piano Regolatore Generale (General Urban Plan, 1995) has started a wide process of the redefinition of planning instruments and the organization of public procedures for transforming the city. The huge transformation of the central railway axis (Spina Centrale) has deeply modified the anatomy of the whole city and produced new procedural rules and planning

tools. The limited availability of public land forced the city government to use the former Masterplan (which had been conceived as a coherent and prescriptive drawing) of the concrete opportunities of negotiations, with many variations, but also with a good deal of effectiveness in the complex. The strong alliance among the different levels of power and a widespread consensus over many years enabled the city to take a lead in negotiations and to represent itself through the mission of reshaping the urban form. This first success of the urban policies through a leading vision started to decline since 2007-2008.

If we consider the largest urban transformations planned by the city of Turin and its neighbours in the last 5 years – especially in the north-eastern sector of the metropolitan area – we notice a prediction of a virtual increase in the 48,000 inhabitants. Among these, 17.500 inhabitants have to be referred to the Turin's "Variante 200", which includes 1,35 million m^2 of territory and plans about 900.000 m^2 of gross floor area. Today the possibility of financing new services and infrastructures – as the second metropolitan line – has to be referred to the incomes from the sale of public land to real estate companies. Unfortunately, something in recent times has been going wrong and the correspondence between opportunities of transformation, the amount of land and their values are going to become more and more changeable. The real estate market and the building sector in Italy faced a heavy slowdown over the last few years. In 2012 the trades lost about 18-20% of their business, and the market fell by 3-5% in value. In general, the construction industry is facing the deepest crisis of the last 60 years. Between 2006 and 2012 the industry lost the 24.4% of its market as a whole, and 44% if we consider only the new construction. At the same time, the industry of sustainable energy plants and building energy renewal has overtaken the whole construction sector (Bellicini, 2013).

Moreover, urban territory has been largely taken up by developments and Turin has been one of the most "consuming" cities of the past, alongside Naples and Milan, and today it counts for 60.3% of consumed land (Paludi, 2012). Recent policies on the mitigation and compensation of soil sealing and consumption, both at a local and on the European scale, suggest new strategies for the economic and social feasibility and sustainability for a different growth of EU urban systems. With the changes in the political and social system of the 1990s, followed by the transfer and re-examination of property regulated by the principles of commercialization and privatization, the urban and social landscape of Skopje has become even more conflictual. This condition, oddly enough, will lead once again to the "re-invention" of a yet another urban image and the

unprecedented consumption of residential and public space (Marina, 2013). The process of transformation although at a high intensity did not provide for any profound strategic transformation of the city, but experienced the lack of overall vision with regard to the city or any serious impact of the urban change on the overall economy of the city. The reasons for this lie beyond the common economic agents of the construction industry and are embedded instead in the system of urban planning as a major tool for planning and managing urban development.

The local Municipalities in Macedonia are responsible for making Detailed Urban Plans (DUP) for the built environment following the guidelines of the General Urban Plan (GUP) developed by the City of Skopje as a distinctive local government entity, while the overall control of planning procedures is still controlled by central government. In this way, two issues in the relationship between the municipalities and the city of Skopje have to be acknowledged as having had a direct influence on land management which has placed a large burden on the possibility of producing any viable overall urban strategy for development.

First, the land owned by the Republic of Macedonia is still governed by the central government and not the local authorities (Official Gazette of Republic of Macedonia, 2011). This situation turns 'property islands' into municipal territory and as such does not allow for direct contracting between the municipality and private investors, and therefore bridges this cooperation towards the central government which on the other hand is detached from the local urban planning strategy of the municipality. In reality any possible implementation of the model of private-public partnership is brought to a halt.

Second, concerning the governing logic of free market economies and especially in the case of Skopje, it could be recognized that the main stakeholders when it comes to the use of potential resources for producing capital are the governing sector and its institutions and the initiatives that come from private investors. This logic of governing the urban economy and spatiality depends completely on a top down implementation of any strategy that has little space for other actors, such as the participation of citizens and their influence on decision making for the cities through models that include various groups of third parties.

In a situation like this there is strong separation between private and public participation on two levels. First one occurs in the process of making the general planning in which state institutions, including the City of Skopje, exclude private initiatives and their interest by not involving their consultancy. Likewise,

any planning could not anticipate precisely the needs of private capital and the use of any possible potential this sector offers in the form of investment. Basically one of the two main stakeholders is excluded at the very beginning of the process of creating a spatial strategy for development.

A Comparison between the Two Cities over the Current and Potential Use of Planning Tools

In this section we offer a comparative analysis between two different cities in which we have analyzed the suitability of the urban plan as a tool for initiating, managing and evaluating the urban transformation of cities. The comparison is between the urban transformation of Turin, Italy and the urban transformation of Skopje, Macedonia (Marina, Armando, 2013).

Turin: from the Diachronic Approach of Strategic Plans to the Static Vision of Urban Plans

The “strategic” aspect of planning is always about time, and the setting of priorities or sequences of actions. In a broader sense, there are two kinds of Italian planning instruments which refer directly to strategy: the Territorial Plans of Coordination (PTC) and the “third generation” Strategic Plans (PS). In Italy the PTCs were started in the early 1990s, when their management shifted from the Central State to the Regions and then to the Provinces. The PTCs dealt mainly with infrastructural and mobility projects, by establishing the priorities of implementing road and railway networks. The “third generation” Strategic Plans were started in the late 1990s – with Turin and Rome being the, first in 1998 – with the purpose of involving private and public actors in an area to establish common objectives, priorities and actions for long term local development, focusing on both spatial and socio-economic aspects of the local system. In these plans the temporal dimension is fundamental, and the plan is a project of sequences. Attention to the diachronic dimension has been largely successful, especially for the Strategic Plans of Turin (2000 and 2006). There has been a precise intention and try to design not only the city through the implementation of the projects of the General Plan, but also its wider territory, by focusing on the multi-scale form of the whole metropolitan area. However, this coherence between the form of territory and the city doesn’t reflect on considerations about time, between the strategic-territorial scale and the urban-planning actions. If the strategic plans established sequences of actions and not only

objectives, the urban plans and projects were produced as static images of future land setting.

So, if we shift from the strategic to the morphological dimension of planning, the diachronic approach doesn't seem to have any specific role anymore. The city visions which were made of Turin in the last 30 years usually showed a flat scene; rom the 1980s proposals for a new General Plan to Gregotti's Masterplan in 1995 (Figure 1), up to the "Corso Marche" Plan in 2009 and the ongoing proposals for the northern areas of the "Variante 200" (Figure. 2), the Visions built up a final state, which should lead all efforts to implement themselves and to reconcile the contradictions in an instant when everything will be accomplished. And this is not a matter of the naivety of the policy makers or of the designers, but rather a specific strategy that, in some circumstances could work. At present this structure of the representation of the urban project has many negative effects and it reduces the effectiveness of the overall design itself:

- The urban transformations manage to be transmitted, visualized and published only by spatial fragments, where the market proposes specific developments. The developers usually come before the decision makers.
- The architectural design projects are rarely made and approved in distinct phases, and only the economic evaluators are allowed to split the implementation process in feasibility sequences that are purely economic.
- On the other hand the architectural urban design could picture morphological sequences, where the working steps are drawn as verified and measured states. To lead the urban transformations through sequences would allow:
- Aspects to be drawn up in many dimensions, in which every phase would be indicated. This would mean: more transparency in decisions about what will be accomplished and in which order, more technical proofs about the effects of transformations, and more reliability about the procedures with a consequent increase of confidence among investors.
- To coordinate every phase with different scales of powers, rules and decisions, so that the following could be included: deadlines for public funds, mobility networks, coherence or conflicts with the larger scale plans, and the shifting of the restrictions and duties from one phase to the other.

Skopje: Political and Technical Separation as a Cause of Urban Fragmentation

The new urban project that has been developed by Urban Center Metropolitano along the axis of the Southern Boulevard in Skopje is composed of building scenarios of the transformation of territory by designing its physical form. The new hybrid figure of the plan draws its legitimacy from the process of shaping potential conflicts and defining the horizons of change at the same time (Figure. 3). The urban plan should have become the tool of mediation while shaping the form of negotiation between different stakeholders involved in the process of urban change. The aim is to describe how the urban development of a large scale portion of the city can be managed by designing the urban structure; starting from the assessment of available land, and a survey of private and public ownership, up to the drawing of the urban morphology and the forecasting of the capital investments involved (Fig. 4). The goal of this research is not only to clarify the potential for the rationalization of the strategic development of the city by using an Urban plan, but also to suggest that the vision carried out of the Southern Boulevard can be a device for articulating urban identities, and coordinating the variety of fragments along the axis of the new Boulevard, according to an overall vision capable of including the differences between local identities.

The main problem that arises from the idea of the Urban plan as a tool for the urban transformation of Skopje is that it considers the main infrastructural corridors (traffic for instance) for which the exclusivity of decision-making is possessed by the city of Skopje administration and not by local government. The collision for making a workable strategy comes in the contact zone between the named arteries and the urban structure. At the same time the Detailed urban plans (DUPs) made by the local Municipalities don’t have the right to take into consideration the territory of the infrastructure corridors, although in many cases these corridors divide the land which belongs to the same municipality. On the level of spatial use, land management, viable urban strategy and economic resources it means the disintegration, fragmentation and division of municipal territory into disconnected land archipelagos. This planning approach creates the detachment of strategy from detailed planning (municipality) and does not take into consideration the local land strategy. The infrastructural corridors are extra-territorial for the municipality itself which reflects the same situation in

the very use of land and has a direct influence on the spatial practices on the level of the everyday utilization of urban territory.

Besides the complex relations between the city and the municipality the whole process involves a 'third party' (central government) and magnifies the nature of bureaucratic correspondence and adjustments. The problem is that central government is not strategically involved in the planning process inscribing itself as only part of the planning structure, but at the very end its role is just to approve or stop the plan. Such a situation is accompanied by a strong detachment from the planning process of the participation of citizens, especially when it comes to making strategic and final decisions defined in the planning procedure and a municipal urban strategy dependent on decisions from the centralized and therefore rigid bodies and institutions of central government (Official Gazette of Republic of Macedonia, 2005).

The lack of an overall strategy is mainly the product of a de-synchronization between local and central government and the interpretation and very performance of existing urban planning policies which are reflected in the decision-making process of governing plans on the level of the city as well the ones referring to the territory of the municipality, thereby failing to provide stakeholders in the city with the possibility of freely conveying their needs and initiatives.

Discussion of the New Paradigms and Strategies for Sustainable Urban Growth

What can we learn from these changes in the way the two cities are transformed and the new challenges of urban growth? Can we observe it as a change of paradigm, looking at the cities of Skopje and Turin and trying to observe the different cyclical contingencies of the two cases? How can the urban design project be effective and useful in order to govern the future of the cities, which seem to be very different from the previous 50-60 years of growth? We can summarize some notes for discussing a different approach to design in the current period of crisis.

From Micro Scale to Broader Scenarios

The situation we described above shows a situation of decline in terms of the availability of territorial capital (land, energy) and of economic investments in building development – due to the need of absorbing the Real

Estate Bubble in the next few years. Both cities will face increasing symptoms of the erosion of their low-value Real Estate capital, for many reasons. First, the low quality buildings will be replaced by new ones, already built (in 2011 the CSS commission estimated a surplus of 200,000 new houses in Italy and a sharp decrease in the prices of the dwellings in Macedonia in the last two years). Second, the ageing of the population will increase the phenomenon of low density occupation, especially in the suburbs of Turin (Mazza, Moiso, 2013) and in Skopje, where the process is similar but emerging, mainly due to the internal migration of urban dwellers toward the city center or outside the city limits.

These situations of dispersed property wealth cannot be involved either in recovering policies, nor in economic operations for gathering small capital, which is scattered amongst many different owners, within an urban scale of action. This lack of initiatives is not the fault of politicians or designers, it is more likely to be the result of the structure itself of the design production. Urban visions are rarely incremental, and they cannot take into account those processes which would need to start from a small cluster of circumstances (i.e. the availability of flats or even their portions) and then be developed on a higher scale, to a more convenient investment and to a clearer vision which would serve a public discussion.

Recomposition of Phases and Implications

The diachronic representation of a transformational process aims to compose a wider scenario, where many other collateral effects have been considered *within* the drawing, rather than those associated with external references (such as: values, procedures, contracts, and technicalities). The drawing up of a physical transformation can work as a spatial index of priorities (what comes before and after, not only in time) and as an index of the extensions (what values and quantities will be involved, not only in their spatial distribution). The strategies for reassembling can extend the possibilities of measuring the aspects of feasibility, which usually only refer to economic disciplines, or to procedures of environmental impact.

The architectural and urban reassembling might be considered as an epistemological challenge for designers, since it implies trespassing on the political field of decision making by the technical field of building production to. Furthermore, this shift would ask for a different integration of technical and political issues, from an approach where values are accomplished by fixed

visions or structural frameworks, and performances are implemented by executions and building management skills, to an approach where politics and techniques are chopped and recombined, and verified in a step-by-step circular process. This is always political and technical at the same time.

The Inclusion and Openness of the Urban Project

The production of urban design separated in phases and then recomposed can help us to open up a new perspective on the managing of urban policies in a time of crisis. The framework might be summarized as follows: we have fewer resources for economic investments; we need to recycle urban structures and fabric in order to avoid land consumption; and, we don't seem to have any strong leadership available. So it seems quite realistic to imagine that future initiatives concerning our cities will be oriented to produce incremental effects, which are reliable and limited, with a reduced account for general visions to be projected towards an undefined future. The communication network systems already break onto the scene independently, so that they have to be considered by traditional forms of government and decision making. They might be used as platforms for tools, not only as compensation instruments (for top-down use) or as protests in controversies (bottom-up use), but to reform the procedures of consultation; the interaction of networks would become the main inclusive instruments, providing for limited and open scenarios, rather than for destinies and hopes to be satisfied in a more distant and unpredictable future.

Conclusions

By way of conclusion, we will try to summarize an answer to the main questions raised above. The first question is what can be the role and the usefulness of designing the future shape of the city against the background of increasing pressures and decreasing resources? Urban design tools can be more effective since they can be developed as a multi scalar description of a huge amount of information and boundaries. This possibility of widening the definition of the scenarios by design can be articulated both on the synchronic and the diachronic level. Synchronically, the plan can be used as a set of devices which demonstrate and verify within the design of physical transformation many different levels of implication (money, properties, social values, environmental impacts and others). Diachronically, the plan can put

into evidence what the chains of effects are that can be demonstrated as being feasible in a process which will last many years, verifying the real outcomes of the “promise” pictured in the final vision. The intermediate steps can become contracts and they can influence the whole process in producing priorities during the decision-making phases. The possibility of refining and enlarging the description of the future even to the smaller and weaker dynamics in the city could enable the design of the city to be used for optimizing and recycling the existing material resources of an urban system, those which usually seem to remain invisible in the process of traditional planning.

The second question is how can the urban planning tools interact with the political level and the decision-making processes in a scattered distribution of powers? The availability of a set of instruments which produce many references within both the ordinary procedures of planning and the implementation phases can measure controversies coming from a wider set of parameters, which are beyond the reduction of an econometric (and opaque) representation of interests and values. On the one hand , the increased amount of information that can be connected may help to achieve greater transparency, on the other hand it could help to rationalize some of the criteria which have been established as crucial in the decision-making process. Of course urban policies will not change according to an evolution of planning and design instruments, but it is possible that research into new strategies in the organization of data and information through design can deeply affect the processes and procedures, not only in improving their effectiveness but also in influencing the balances of powers and, eventually, in offering the possibility of new and better opportunities to a more inclusive society.

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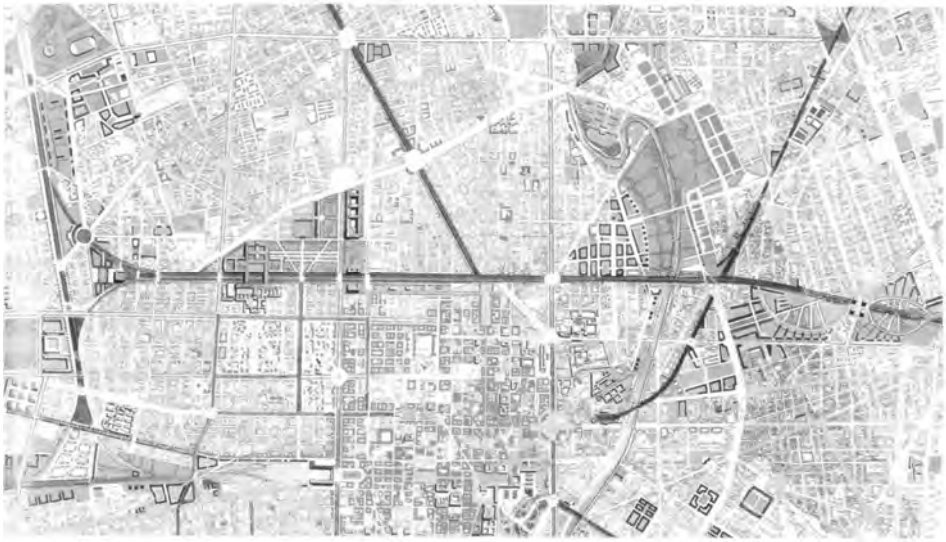

Fig. 1: Gregotti & Associati, Drawing of the Central Backbone of Turin, Masterplan for the PRGC of Turin, 1995

Fig. 2. ToMake Group, Bird's Eye view of the Masterplan for the Variante 200, Torino 2014

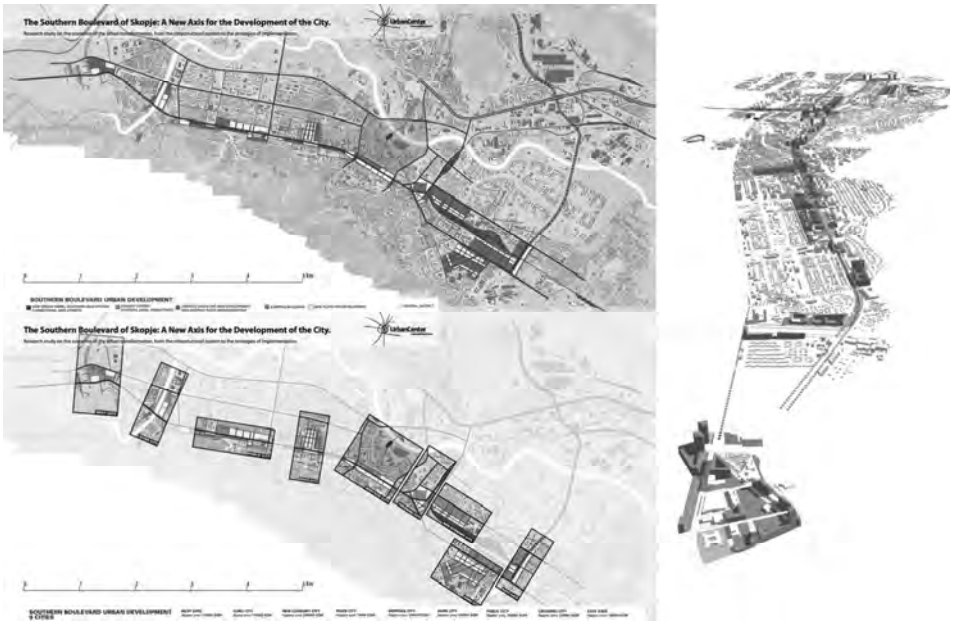

Fig. 3. The hybrid figure of the urban plan of Southern Boulevard in Skopje as a new axis of urban development

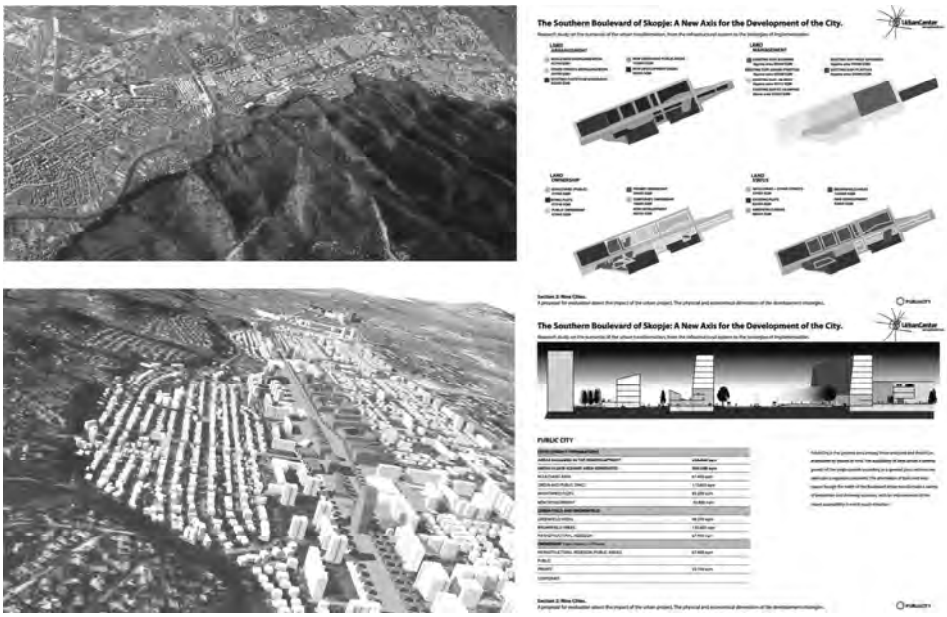

Fig. 4. The urban image and its quantification of Southern Boulevard urban development

The Implementation of European Union Regional Policies in Planning Documents: The Case of Macedonia

Irina Grcheva, Sasho Blazevski, Maksim Naumovski

Abstract

In the last twenty years, the spatial development of Macedonia has been strictly focused on one area - the capital city Skopje. Today, Skopje accommodates one-third of the total population of Macedonia, two-thirds of the total GDP and one-third of the total national profit leaving the rest of the country's territory spatially and economically underdeveloped. One of the main reasons for the unequal regional development of Macedonia is inconsistent urban and spatial planning in the past twenty years. In 2002, Macedonia started the process of decentralization, and adopted The Spatial plan of the Republic of Macedonia 2002-2020 which presented a long-term strategy for a balanced and equal regional and economic development of the country. In the years that followed, this plan failed to be accomplished, and consequentially, the spatial structure of Macedonia grew in the opposite direction, becoming even more centralized than ever before. In 2009, a new planning document was introduced in order to supplement the existing spatial plan with a solution for overcoming the alarming mono-centricity. But instead of offering a solid and clear agenda, the new plan presented a copy of the European Union policy for polycentric development without making any adaptation to the current spatial structure of Macedonia. This chapter will explore the implementation of European Union regional policies within The Strategy for the Regional Development of the Republic of Macedonia 2009-2019 in order to trace and predict the possible impact it could have on spatial planning practice and the development of the country.

Keywords: spatial planning, Macedonia, polycentricity.

Introduction

This chapter will discuss the impact of the latest planning document, the *Strategy for Regional Development of the Republic of Macedonia 2009-2019* on the spatial planning and development of Macedonia. This plan was made in order to adapt the already existing strategy from 2002 (presented in *The Spatial plan of Republic of Macedonia 2002-2020*) to the current development of a monocentric spatial situation. But instead of doing that, the document just presents a copy of the strategy for polycentric development taken from European Union regional policies. This research will analyze the implementation of the model for polycentric development in the *Strategy for Regional Development of the Republic of Macedonia 2009-2019*. Consequently, this chapter will point out the direct and subsequent influences of the plan on the planning system of Macedonia, and on the spatial development of the country. Part of this research was done for a paper entitled "The impact of Copy-Paste Planning: The Case of the Strategy for Regional Development of Macedonia 2009-2019," which was presented at RESPAG, the Second Scientific Conference for Regional Development, Spatial Planning and Strategic development held in Belgrade in May 2013.

Spatial Planning and Development in Macedonia, 1991-2012

Macedonia declared independence in 1991 when Yugoslavia disintegrated, and alongside other socialist countries in Eastern and Central Europe, Macedonia started the transition from a socialist to a market-orientated democratic society. During this period the political system and legislature underwent a complete restructure. Along with the transformation of the country's most important systems, the planning institutions were also reestablished, as well as municipal and regional structures.

But Macedonia did not begin the transition period with a comprehensive plan for future economic and spatial development. In the first five years, from 1991 to 1996, the country did not establish an institution that was responsible for urban and spatial planning. At the time, the network of municipalities was still the same as the one that had existed in Yugoslavia – there were thirty-two municipalities, each one governed by its own local

government (Fig. 1). In 1991, these municipal centers had their governing power withdrawn – they still existed, but no longer had any decision-making authority. The newly-formed management that was responsible for municipal governing was situated in Skopje. This centralization of power in Macedonia was the very opposite of what all the other post-socialist countries had been doing, which was the decentralization of power by establishing regional and municipal systems. Thus, there are two narratives that explain why these events took place. The first narrative has an ethnic background and as such, it was publicly disclosed years later when Kiro Gligorov, the first president of Macedonia, was interviewed for the then weekly newspaper *Fokus*. He stated that the 1991 government feared the possible separation of municipalities with Albanian majorities as autonomous territories (*Fokus*, 2000). The second theory was that Macedonia was not economically prepared enough to begin the process of decentralization. But, whatever the true reason was, the result was a five-year standstill.

The Macedonian government started the process of decentralization in 1996 after the 1995 Law of local self-governing was adopted (Bureau for Regional Development of Macedonia). The process of decentralization drastically transformed the spatial and economic organization of the territory: the then existing thirty-two municipalities were transformed into one hundred and thirty-four municipalities and one hundred and twenty-five centers of local government (Skopje had ten municipalities and one center for local government) (The Ministry of Local Government) (Fig. 2). Also, the same year, the Agency for Urban and Spatial planning of the Republic of Macedonia was established and the work on the first spatial plan began. The *Spatial Plan for the Republic of Macedonia 2002-2020* (later in the text the *2002 Plan*) was adopted six years later, in 2002, and it proposed a strategy for an "equitable and balanced spatial and economic development that would be achieved through interregional infrastructural integration" (Spatial Plan for the Republic of Macedonia 2002-2020, 2002). For the purpose of the plan, old statistical data from 1996 was used, as the first census in Macedonia was held in 2002 (The Census 2002 of the Republic of Macedonia, 2002).

Fig. 1, Thirty-two municipalities

Fig. 2, One hundred thirty-four municipalities

Later on, in 2004 the municipal network was changed again: the hundred and thirty-four municipalities were reduced to eighty-four (The Ministry of Local Government) (Fig. 3). This decision was executed as part of the Ohrid Framework Agreement in attempt to answer certain ethnically orientated questions at that time in Macedonia. The new municipal network was created by restructuring of the existing municipalities according to ethnic affiliation, which not only led to more ethnically homogenous territories, but also to huge negative reaction and massive protests in many Macedonian

towns. In order to resolve this situation, a referendum was held on a national level, the second one ever in Macedonia, which further was passed as negative due insufficient number of voters.

Fig. 3, Eighty-four municipalities

Fig. 4, Eight regions and eighty-four municipalities

The last territorial transformation happened in 2009, when the European Commission report suggested that it would be of great significance were Macedonia to overcome the regional and economic disparities between Skopje and the other regions through the implementation of European Union

regional policy. In other words, the policy for polycentric spatial development. The Macedonian government at once sprung into action: the Law for the Urban and Regional Development of the Republic of Macedonia was passed, a new development strategy was elaborated, called the *Strategy for Regional Development of Macedonia 2009-2019* (later referred to in this text as, *Plan 2009*), and a regional structure was added to the existing municipal one - now the eighty-four municipalities were grouped into eight administrative regions (Fig. 4) (The eight regions are: Skopje Region, Northeastern Region, Eastern Region, Southeastern Region, Pelagonia Region, Vardar Region, Southwestern Region and the Polog Region). The introduction of the regions was anticipated to be a positive event that would set the grounds for a more functional system of municipal-regional governing. The former mayor of Kochani and the president of the Regional center of the Eastern Region, Ljubomir Janev stated: "We can say that this project is of great value for us because it will promote regional integration. I think that this and the Law for Regional Development is a good foundation for successful regional development" (DW Academy, 2009). But today, the spatial development has remained unchanged - Skopje is still a growing center with 48.5% of the total GDP of the country and a population made up of half of the inhabitants of the country. Further in the text I will discuss the plan proposed in *Plan 2009*, which uses the model for polycentric development from European Union regional policy without adapting it to the existing regional structure of the country.

The Strategy for Polycentric Development and its Implementation within the Plan 2009

Plan 2009 was adopted in 2009 in addition to the already existing *Plan 2002*. Apart from introducing a new strategy for development, it also had the aim of adapting the planning agenda from 2002 to the recently changed territorial organization, as well as progressing the process of centralization in the country. The significance of this document is stated in its hierarchical ranking in the system of plans. The Macedonian planning system shows a clear scheme that states interdependence between spatial and urban plans (Fig. 5). Fig. 1 shows how the spatial plan of Macedonia along with supplementary elaborations such as strategies and action plans which are the paramount documents from which all other smaller-scale plans are to be generated. Out of this rational, capital plans such as *Plan 2009* and *Plan 2002* could either strengthen or block the planning system.

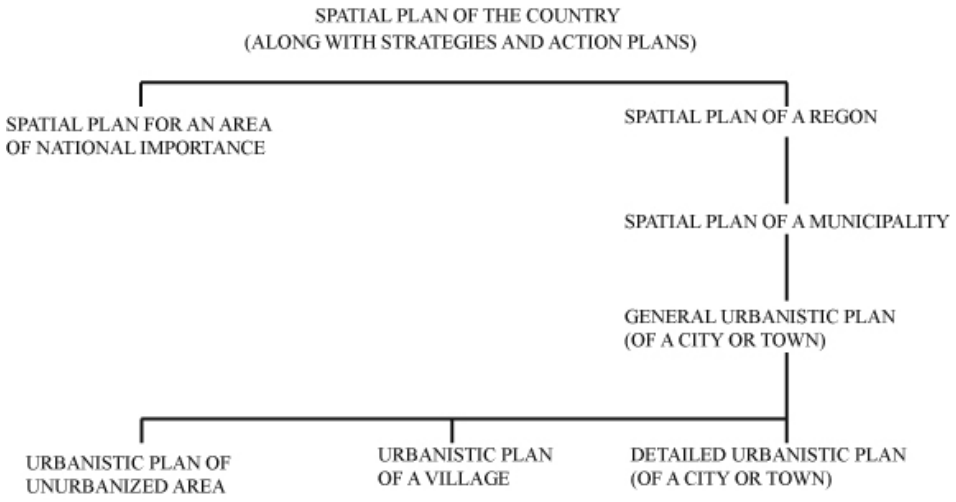

Fig. 5, Hierarchy of plans in the planning system of Macedonia

The main goal in *Plan 2009* is to introduce the model for polycentric development into the spatial development of Macedonia, thereby advancing planning practice by using European Union-orientated regional agendas. The concept of polycentric development was first introduced as part of the spatial development policies of the European Union with the *European Spatial Development Perspective* (ESDP) in Potsdam in 1999 as an answer to the regional disparities that emerged after the first enlargement of the Union (European Spatial Development Perspective, 1999). The model of polycentric development is a comprehensive and complicated system that can be described as a system of several equally or semi-equally developed centers that are strongly interrelated to each other and to other centers. The centers could be different kinds of actors such as inhabited areas, firms, industries or people, and the link could be different connections between these actors such as infrastructure, telephone calls or the Internet. In the introduction to *Plan 2009* it is stated that: “Macedonia will achieve an equal and balanced spatial growth of the regions based on the model for polycentric development” (Strategy, 2009). Although the polycentric model is taken as a key model for the future development of Macedonia, its mention in the opening statement of the document is not supported by any additional explanations.

Furthermore, in the pages that follow the term polycentricity is only randomly referred to in the text.

Indeed, the model for polycentric development is discussed in the section where all the statistical data is presented. Here, a solution for the discrepancy in development between Skopje and the other regions is proposed through a plan for the redistribution of the national budget spent on regional development (Strategy, 2009). The budget idea, one of the most important parts of the strategy, is illustrated by a diagram with numbers and percentages to which there is no additional commentary. Details on how the finances are calculated, or how this huge step could be realized are not revealed to the reader.

The implementation of the model for polycentric development could again be discovered in the second and main chapter where the objectives of the strategy are listed. The goals of the strategy which are presented are vast and general to the point where any proposed future development cannot be connected to the previously stated statistical data. What the given objectives state, does not follow any particular pattern for polycentric regional development (which is founded on the existence and creation of interconnected centers), but instead, everything that could be done in the regions is enumerated. As Macedonia's rural regions are highly underdeveloped, stating everything that could and should be done for more distributed regional development is quite a lot. For example, the proposed ten-year agenda for the prospective development of the infrastructure includes the reconstruction of all the transport networks (roads, highway and railways) including additional transport links such as the highway and railroad connections to Albania and Bulgaria (the neighboring countries to which Macedonia does not currently have any highway and rail connections), such as Corridor X and Corridor VIII, the building of three cargo airports, and the renewal of the existing airports in Skopje and Ohrid (Strategy, 2009). The objectives of each section for instance, Economy, Agriculture, or Industry were carried out in a similar manner.

The implementation of the model for polycentric development within *Plan 2009* has been carried out on a very vague and superficial level. The model has just been taken from European Union regional policies and has been placed within the strategy without any adjustments, thus rendering the document rather unclear, confusing and at the end of the day, rather difficult to use. Moreover, the agenda that has been presented, which was supposed to supplement and upgrade *Plan 2002* has barely been coordinated with the

previous plan, even the years to which the documents extend are different (2019 for *Plan 2009* and 2020 for *Plan 2002*). It seems as though the only purpose of *Plan 2009* was to fulfill the requirements of the European Commission by presenting some written material about spatial planning that includes polycentric development as its key strategy.

The Planning System in Macedonia

Taking over existing strategies, especially successful ones, has always been a practice employed among developed and developing countries. In one of the few books that discusses the urban transformations of post-socialist countries, *Transformation of Cities in Central and Eastern Europe* it is stated that socialist countries embedded most of the industrialization tactics from the capitalistic west into socialist planning agendas (Hamilton, 1995). Today, the regional policies of the European Union are supposed to be implemented in the planning agendas of all the countries in the region. When an already existing plan is taken to be implemented, it is crucial to adapt the strategy to the social, political, economic, environmental, and regional landscape of the chosen country. When a plan is just straightforwardly copied without further adaptation the impact can only be negative. *Plan 2009* is such an example.

The effects of the copying could deeply affect the functioning of the planning system of Macedonia, and consequently the overall regional development of the country. Although there is a spatial plan (*Plan 2002*), for years the planning institutions have been focused on the elaboration and execution of small-scale urban plans such as the General Urban Plans (GUPs, a plan of a city) and Detailed Urban Plans (DUPs, a plan of a city district). Most of the Macedonian municipalities do not have a long-term development agenda; on a regional scale, only the Skopje region had a separate spatial plan specially elaborated. There is a clear gap between the large-scale and the smaller-scale plans. The main reasons for this are the inconsistent planning agendas in the core plans which are a direct consequence of institutional inefficiency and the lack of qualified planners. For now, *Plan 2002* can hardly be put into action, mostly because its supplementary document – *Plan 2009*, does not provide any clearly explained directions for the development of the country. And consequently, all the other urban and spatial plans referring to the regions, municipalities, cities, towns and villages cannot be produced in concordance with either *Plan 2002*, or *Plan 2009*. This communication breakdown between

macro and micro plans largely contributes to the over-grown territorial mono-centricity of Macedonia.

On another level, the lack of clarity of the plan has sabotaged some genuinely valid ideas such as the use of the polycentric model or the redistribution of the budget for regional development. In one of the most detailed studies on spatial polycentricity, *The Polycentric Metropolis: Learning from Mega-City Regions in Europe* discusses how the polycentric model could be applied to any spatial structure if adapted to its main characteristics (Hall, 2006). Therefore, hypothetically, Macedonia could achieve certain polycentricy if a solidly-structured, long-term plan is presented and put into execution.

However, it is fair to state that *Plan 2009* is not the only document of this kind to be elaborated in Macedonia. The country has a long tradition of adopting plans made on 'the back of an envelope.' Just in the last six years the Detailed Urban Plan for Skopje city centre was changed eleven times. This was done without any proper public presentation or planning documentation (the public presentations were usually scheduled during the summer holidays). On the same note, there are many territories whose spatial plans have not been updated since the period when Macedonia was part of Yugoslavia (many areas of Skopje still have Detailed Urban Plans dated from the 1960s). This constant disorganization has its roots in the processes of reestablishing the political system and institutions during the post-socialist transition. The institutional chaos and inefficiency were typical of all post-socialist countries at the beginning of the transition (Stanilov, 2007). The 2012 report of the European Commission for Macedonia states that there has only been slight progress in the institutional integration (European Commission, 2012).

As with all the other planning documents, *Plan 2009* was adopted by the Parliament of the Republic of Macedonia after public discussion. In order to discover what architectural and urbanism professionals in Macedonia think of the new plan, interviews were made with fifteen professors of Architecture and Planning from both the state and private universities in Macedonia. This survey indicated that four out of fifteen professors knew of the existence of *Strategy 2009*; whilst seven thought that the document was a fake when it was shown to them; and none of them had read it, or attended its public presentation.

Conclusion

When a crucial part of a system breaks down, the whole system either stops working or it operates in rather a slow and week manner. In the planning system of Macedonia that part is *Plan 2009*. This document presents a plan that is inconsistent and unclear, therefore unusable. Since *Plan 2009* is one of the key large-scale plans that dictate the elaboration of all small-scale plans, its unusability blocks the whole planning system from functioning, which furthermore enables free-style planning and monocentric spatial growth.

The weak elaboration of *Plan 2009* is not the only reason for the monocentricity of the country, but nevertheless, it supports the future unproductiveness of the planning system. In order to move forward and change the spatial and economic situation from monocentric to polycentric, it is crucial for the planning system to start working. This could be done through "hard-core" reconstruction of the working methods of the planning institutions; the supplementing of the legislation concerning urban and spatial planning; the employing of highly-educated professionals from the field of urbanism and strategic planning; and the involvement of citizens in planning processes by increasing their transparency and inclusivity. It is important to revive and follow the hierarchy of plans, and most of all, it is essential for Macedonia to develop a new spatial plan that would stem from the regional, economic, political, social and cultural structure of the eight regions.

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The Significance of Adolphe Appia in Contemporary Theatrical Space in the EU and Macedonia

Ljupcho Jovanov, Toni Vasic, Jovanka Jovanchevska-Milenkoska

Abstract

Theatrical space occurs as an interaction between stage and auditorium, between scenic and architectural space. This interaction is a complex process, and the theatrical space is constantly evolving. Usually this is in correlation with the spirit of time, which often fails to treat the theater as one building and space. Modern technology, which is increasingly employed in the theater, requires a change in the architectural space (both the exterior and interior). Back in the late 19th and early 20th centuries, Adolphe Appia advocated key changes, which influenced the creation of new theatrical spaces. The purpose of this initiative was to make space applicable to the needs and requirements of a new theatrical space. Appia's entire creative life was dedicated to merging the auditorium with the stage in order to enable interaction between the actor(s) and audience. Have these changes, which started to be applied in Europe before the Second World War, been accepted in the Republic of Macedonia starting in 1965? This subject is only briefly researched in Macedonia, perhaps because the architectural theatrical space is treated as a black box in which some sort of magic occurs. This text will attempt to contribute to research based on the experiences of several important theatre workers (directors, stage designers and theatre analysts), as well as architects. Several theatre buildings will be analyzed (such as the Institute Jaques-Dalcroze in Hellerau near Dresden, the Royal Exchange Theatre in Manchester, the Macedonian National Theatre in Skopje and the Drama Theatre in Skopje) with the use of schemes, drawings and 3D models. This study will not only touch upon the physical characteristics of the theatre, but also on the needs of theatre workers. The results will be compared and contrasted with similar results found across the EU, contributing to the design of new architectural-theatrical spaces in Macedonia in the future, which will follow EU trends.

Keywords: architectural space, theatrical space, auditorium, stage, audience, actor.

Theatre Space in the Twentieth Century

The end of the 19th century witnessed the beginning of so-called contemporary theater architecture. Several technical innovations which had not originally been created for the theater, were nevertheless to find a wide application in it; and, a few architectural buildings served as the main features of the theater in the 19th century. Those changes were: gas lighting, the railway system, the steel cantilever, electricity, the emergence of the flat stage and the construction of Wagner's theater in Bayreuth. Despite all these innovations, the concept of theater architecture remains unchanged. Théâtre à l`italienne, or the Baroque stage continued to dominate.

Technical innovations, and not architecture, were the main changes in the theatre in this period. Now the auditorium was sunk into the darkness and fully separated from the scene. For Wiles (2003, p. 52), it is exactly the invisibility of the orchestra which helped to ensure that the sacred lay in the mental space of the spectators, and not in the physical environment occupied by their bodies. The theater got its final form during this period - stage, auditorium, proscenium, lobby, lodges, the administrative part - these are all elements that further on completely fit into a whole, and as such we encounter them today.

Macintosh (1993) states that: “the year 1876 is the key year in the study of modern theatre architecture, with the opening of Wagner’s theater in Bayreuth” (p. 44). Bayreuth (Figure 1) marked the beginning of modern theatre architecture, and for the first time something that had been a tradition in theatre architecture underwent changes and was challenged by Wagner as a result of his radical ideas regarding joining the actor and the spectator. Wagner's *Gesamtkunstwerk* strongly influenced theatre art in the early 20th century. One of the prominent theatre artists that Wagner influenced greatly was Appia, one of the founders of modern scenic art.

Inspired by Wagner's work (word-tone drama) and the idea of *Gesamtkunstwerk*, as well as the sign of revolt and discontent in Wagner's settings work in Bayreuth, Appia decided to reform theatrical production. From this moment until the end of his life, Appia sought to not only recreate theatrical production, but also to restore the theatre back to the period of Ancient Greece. How did he start this process of recreation? The answer lies with the loss of boundaries (the proscenium arch) between the actor and the spectator. Appia (1981) states that: “In our theatres, the stage and its appendages together make up an entry quite distinct from the space designed

to hold the audience" (p. 51). How can such a contradiction exist in two spaces under one roof? He defined the proscenium arch as the only material point of contact between the two worlds, that of the actor and that of the spectator.

After we create this unique space, it is possible to establish a relationship between: actor, space, and light. Many years before Brook's Empty space, Appia (1997) will say, "A stage is an empty and more or less illuminated space of arbitrary dimensions… The stage space, then, is in a state of latent power as regards both space and light" (pp. 8-9). But if Appia`s reform began with the loss of boundaries between the stage and the auditorium, his ultimate goal was to transform the theatre into a social act in which everyone contributes. "Yes: it is in a cathedral of the future that we need to take our new vows! … Let us seek a place where our newly-born community of purpose can be clearly asserted – a place flexible enough to afford the realization of our every desire for a complete Life" (Appia, 1997, p. 78). Because of this deep human feeling, Appia would be a great opponent of separation not only between the audience and actor (stage and auditorium), but also any separation within the audience. According to Appia the pit should disappear, and the stage along with the auditorium should be a whole, the proscenium arch (that giant keyhole) should also disappear and allow full interaction not only between the audience and the actor, but also among the spectators themselves.

According to Bablet (1989), "Everything that undermines the traditional space, everything that causes its diffusion and creates physical and spiritual closeness between the actor and the spectator – all that, we owe it to Appia" (p. 33). Appia demands the realization of a hall that would be specially fitted for optical and acoustic conditions; a hall that would unite the stage and auditorium into a whole. The entire area should be designed so that at the same time it satisfies the acoustic, the optical and the visual. With this Appia makes it clear that the play should not take place only on stage, but also among the spectators themselves. Appia called this common space, this hall, - the Cathedral of the future, made up of free, vast and changeable space, which should accept the most diverse manifestations of human social and artistic life; space in which dramatic art can flourish, with or without the spectator. Theatre should not separate or create hierarchical interpersonal relationships, it should unite. Such unity Appia achieved with the creation of the Institute Jacques-Dalcroze in Hellerau.

Institute Jacques-Dalcroze in Hellerau

As a result of the principles included in the Rhythmic spaces and based on sketches (plans) by Appia, the Institute Jacques-Dalcroze was founded in Hellerau, near Dresden, in 1911. The space is unique, (Figure 2) there are no more ramps or proscenium arch (keyhole) and foot lighting, the spectators are placed on stands as in the Greek theatre and in Bayreuth, and they are all treated equally. Every angle of view from the auditorium offers a different pictorial experience, regardless of the frontal view. The stage is formed by using various mobile architectural elements: stairs, blocks, ramps, practicables-platforms (used here for the first time). The combination of these elements produces infinitely different compositions (scenes).

The entire hall is 49 m long, 16 m wide, 12 m high, with a capacity of 600 seats. So, how does the space look? "The walls and ceiling were covered with white fabric behind with lights behind them which are deployed in proper distance. You cannot see any naked 'source' of light. All lamps are operated from the bottom of the hall through a console that allows a person to set all the variations as well as the overall distribution of light and shades which seem necessary. The ceiling, divided into moving panels, which move up and down, works as an array of reflector batteries." (Bablet, 1989, p. 58). The pit for the orchestra is in the middle of the hall, below the level of the floor and if necessary it can be covered. In this space, Bablet says (1989), "the spirit takes precedence over matter, the unexpressed is expressed with immaterial sound, light, color, music, and words that move the spectator to become an artist" (pp. 37-8).

This tendency to break the scenic space or the need to create a new space that has to unify the actor and the spectator could also be seen in the work of the Russian constructivists with many theatre directors (such as Brook, Brecht, Cantor, and Grotowski), especially after World War II. Baugh (2005) concludes that "in the early twentieth-century rejection of past stage forms and aesthetics, and subsequent attempts to build new theatres and to develop new scenographic forms, these attempts have generally been based upon redefinitions of the role and purpose of the scenographic machine, a more thorough integration of scenography and its technologies within the architecture of the theatre, and an exploration of the opportunities provided by the new technologies of stage lighting and sound reproduction" (p. 216).

But could the opportunity offered by this "Appianic" space survive and become universal? Could this new architectural space, that was supposed to

unite the actor (stage) and spectator (auditorium), create the so-called new theatrical space? Wiles pointed out (2003) that: "…the possibilities of Hellerau were limited. Neither Appia nor anyone else in the twentieth century had an easy answer to the question of how to make the actor-audience relationship closer, once the proscenium arch had gone. What sort of activity was now expected of the spectator? How should the seats be arranged? What degree of merging between actor and spectator was possible? How was interaction to be reconciled with aesthetic distance?" (pp. 236-7).

The Royal Exchange in Manchester

Another theatrical space, which follows the Appianic spirit, is Michael Elliott`s (1931-1984) Royal Exchange Theatre in Manchester. Although this theatre did not draw its inspiration from the Greek theatre, which was essential for Appia's theatre model, it was nevertheless built upon the Elizabethan theatre, and it clearly followed Appia's idea of united space. The Royal Exchange in Manchester was designed in 1974 and opened in 1976. According to Mackintosh it was probably the most carefully considered innovative theatre ever constructed in the English-speaking world.

Indeed Eliot's theatre presents space within space. He set this theatre structure in the middle of the huge Royal Exchange building in Manchester, built in the late 18th century. (Figure 3) "Richard Negri, Elliot's trusted designer, conceived the essence of the structure which architects Levitt Bernstein, assisted by engineers Ove Arup and theatre consultants Theatre Projects, turned into reality." (Mackintosh, 1993, p. 92). Designed as a seven-sided building made out of glass and steel, it actually is a theatre-in-the-round dominated by its vertical feature. The theater seats about 700 people, 400 on the ground level and 300 in both galleries. Besides being the largest theater circuit in the UK, it is also the most important theater venue. This space starts with the human as an individual, and space was consequently designed according to the measurements of a human being.

The size of the building and the number of seats are very important parameters in the construction of a theatre, but its greatness lies in its grandiosity, comfort and the number of seats. The theatre is the channel through which energy flows from the actor to the audience and back; it should allow this flow, and that flow can occur if it is within the boundaries of the human senses. The intimacy between the actor and the spectator derives from the human measure.

What is the role of the architect in creating of a theatrical space? From the examples presented thus far, it can be concluded that the architect's role is minimal. If theatre art deals with the unseen, or the outer world, and its starting point is the empty space, then the architect only shapes, frames, and designs that empty space. He just modifies that infinite space. The role of the architect is more to unite different spaces of the theatre building into a whole. That is why we will analyze two Macedonian theatre buildings that have "no identity". We chose these buildings because we do not know who the authors are. These theatres in terms of design and content are similar and resemble many other theatre facilities across Europe and beyond.

The Macedonian National Theatre Centar - Skopje and the Drama Theatre - Skopje (1965-2013)

The first theatre space is one of the former buildings of the Macedonian National Theatre - Centre in Skopje (MNT), today the Theatre of Comedy, and the second one is the Drama Theatre in Skopje (DTS), both built in 1965 (two years after the devastating earthquake in Skopje).

From the analysis of MNT and DTS we can conclude that the two theatres in terms of the size of the stage and the audience are relatively small (Figure 4 and 5). These buildings are not only similar in content but also in their appearance. Both theatres are donations from the British government. The stage and the auditorium are the same as in other small theatres – the stage is a classical black box, while the auditorium is flat floor. A major space in this type of buildings is the stage, which is similar in shape, but slightly different in dimensions (the one in MNT is greater). In fact, what defines these buildings as theatres is exactly the stage. Despite their lack of monumentality and recognition, the MNT and DTS are deeply rooted in the cultural and everyday life of Skopje.

Have these buildings left any modern influence such as those that have emerged in the western European theater in the early 20th century? We argue that in terms of architecture, they have not. Macedonia has not built theater facilities such as the Royal Exchange, or ones following the system of Appia. Macedonian theatres are characterized by a clear separation of the stage from the auditorium. They are classic black box theatres in which one part serves to create the magic, while the other part is the audience, the recipients of the magic. This does not mean that the division of the stage from auditorium is counterproductive in creating a theatrical magic. Many Macedonian theatre

directors and stage designers have designed this kind of theatrical space, but only in terms of theatrical performance. Bayreuth, Jacques-Dalkroze or the Royal Exchange have never happened in Macedonia. It is true that the so-called Baroque scene has persevered and remained attractive to this day, but it is also true that with the inventing of new theatrical spaces, theatre art has gained a new meaning and quality.

However, the architects are not the only ones to blame. According to Wiles (2003), "When Antoine and other modernists called for a theatre of comfortable seats and good sightlines, rather than an environment that stimulated the senses and encouraged social interaction, they led theatre architecture into a cul-de-sac" (pp. 238-9). Macedonia needs to discover and create these new alternative spaces. Who should play a major role in the creation of these spaces? Successful theatrical space is not the product of a single person. Wiles (2003) concludes that, "Theatre architecture turned out to be one of modernism`s greatest failures", because, "flexible, versatile theatres stripped of social messages [have proved to be] a conceptual impossibility" (p. 22).

It may sound contradictory, but the architectural attempt of Appia regarding the conjunction of the auditorium and stage might be considered by some as a failure, but his promotion for the theatre as the cathedral of the future, where dramatic art will be a social event in which everyone will contribute, is still current; Because, for Appia man is the measure of all things. "But Space is boundless; the only guide-mark is ourselves. Hence, we are-and should be-its center. Will its measure, then, exist in use? Shall we be the creators of Space? And, if so, for whom? We are alone. Consequently, it will be for ourselves alone that we will create space-that is to say, proportions to be measured by the human body in boundless space" (Appia, 1997, p. 53).

Conclusion

The essence of theatre art is not the architectural building, but what this building could offer. The sharp splitting of the form from the essence, i.e. the architecture from the theatre, and creating new architectural spaces proved not so successful an idea as expected. The creation of something new, has not been explored enough and technologically has not developed enough, causing numerous architectural projects to remain unrealized or fail in their realization or expectations. Creating the theatrical space should not begin with the architect design – it should start from the vision and idea of the theatre

artist. The theatre artist gives the impulse of life to theatrical space, while the architect gives it form. Until we understand this, we might have empty shells waiting to be filled, instead of empty space that pulsates with life and creates magic. Appia set a good example; we should follow his vision and idea.

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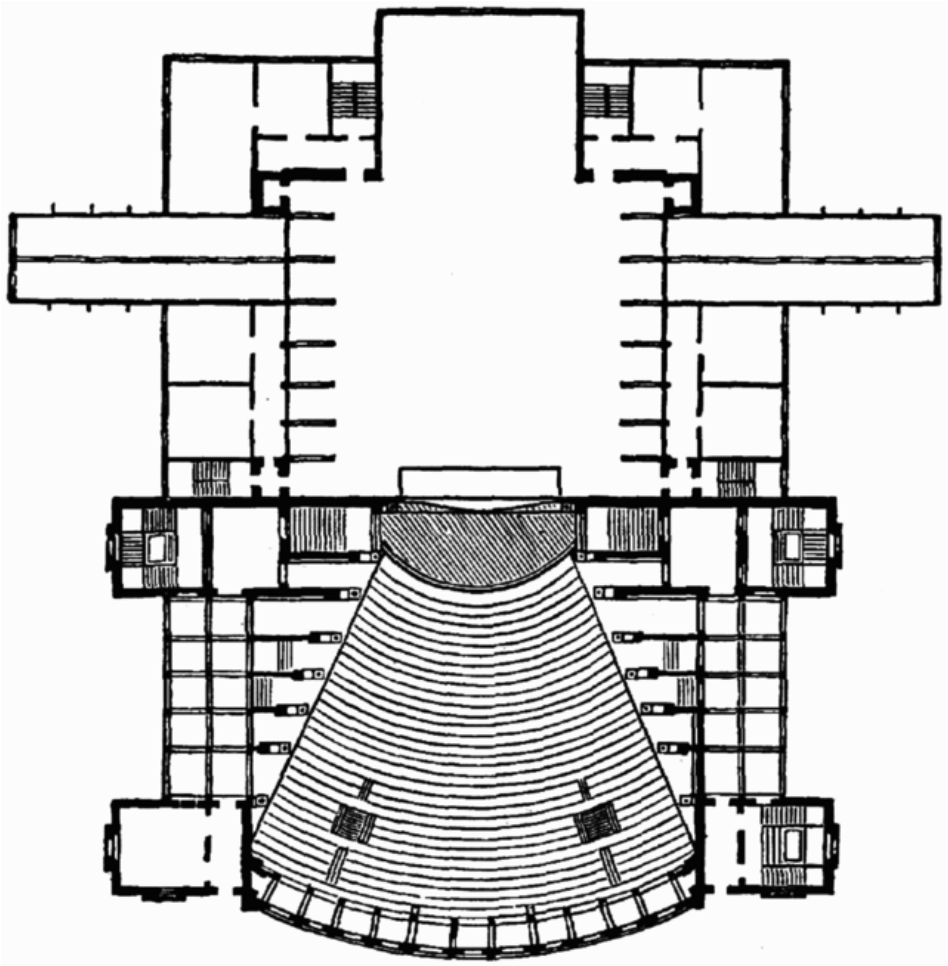

Figure 1. Bayreuth plan, from
http://fr.wikipedia.org/wiki/Palais_des_festivals_de_Bayreuth

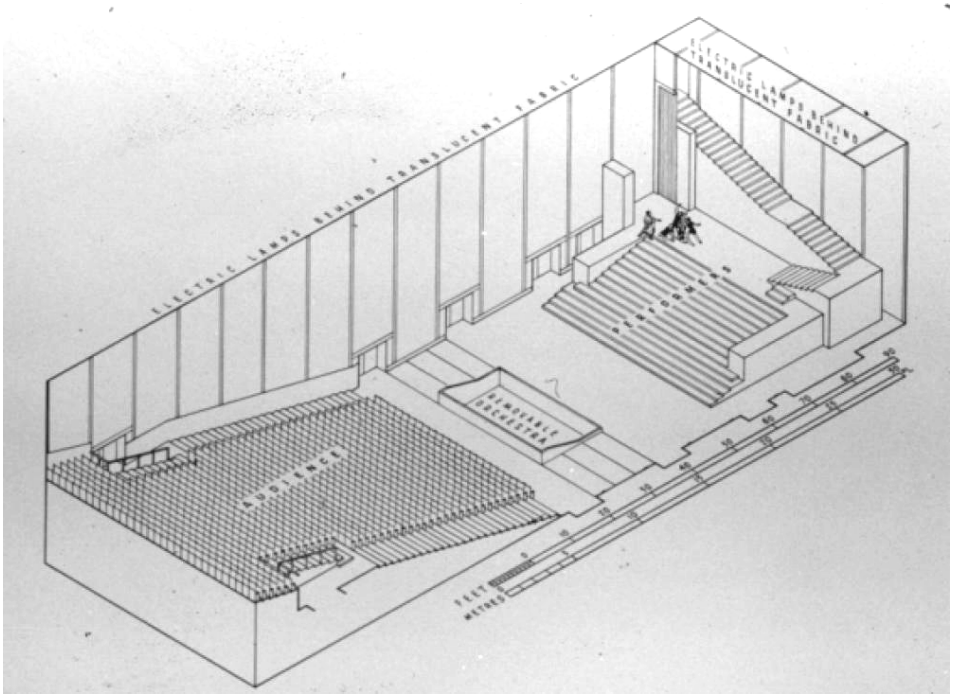

Figure 2. Axonometric projection of the hall in Hellerau, from http://library.calvin.edu/hda/sites/default/files/cas857h.jpg

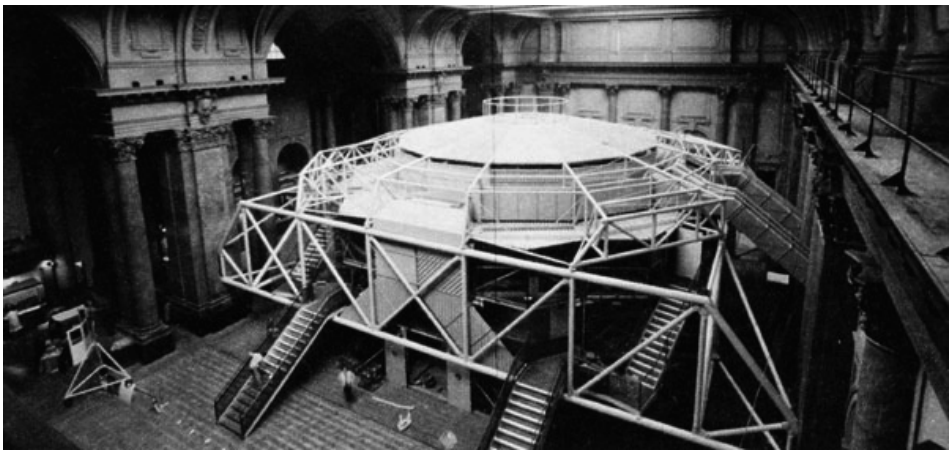

Figure 3. Manchester, Royal Exchange Theatre, from http://www.richardnegri.co.uk/exchange.htm

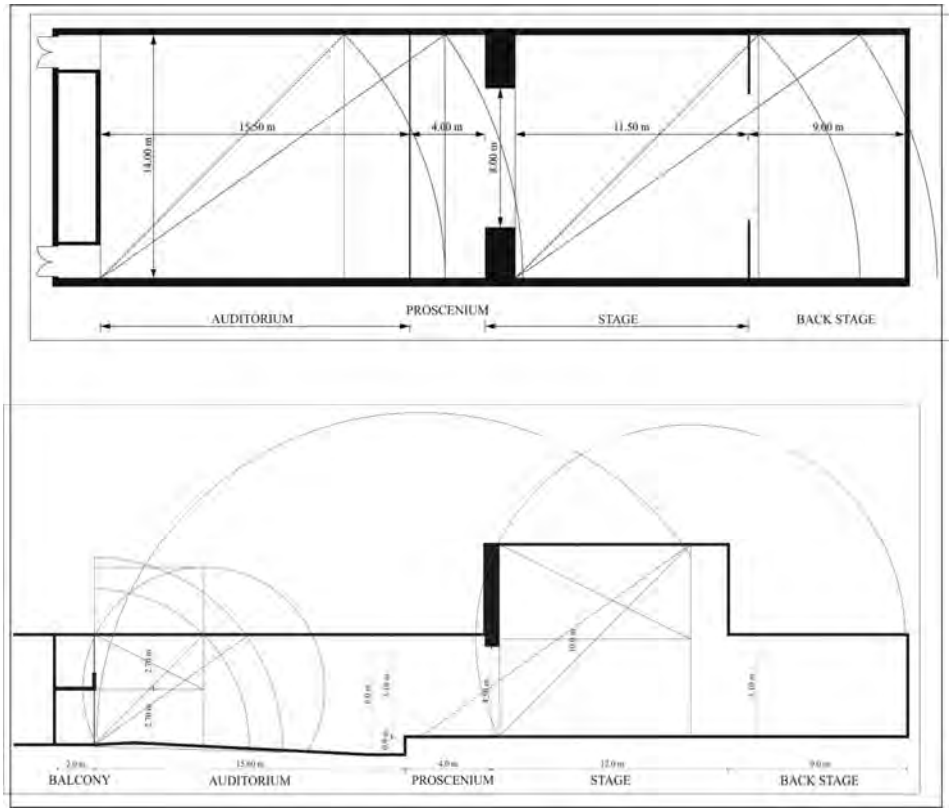

Figure 4. Analysis of the plan and the cross-section overview of the scene and the auditorium of MNT, according to Ljupcho Jovanov's own elaboration.

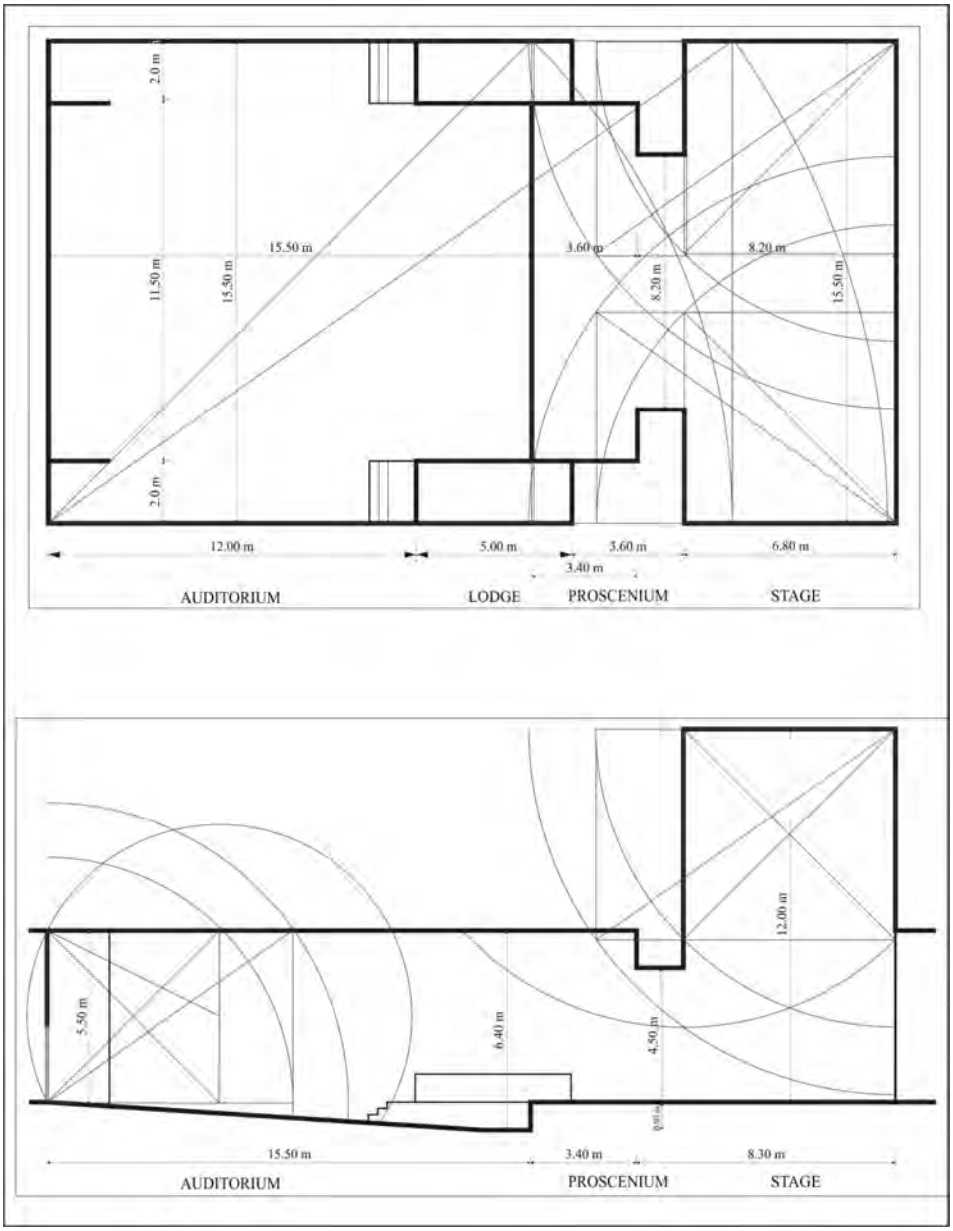

Figure 5. Analysis of the plan and the cross-section overview of the scene and the auditorium of DTS, according to Ljupcho Jovanov's own elaboration.

The Protection of Cultural Heritage in Macedonia and Italy

Aneta Simovska, Ivana Trajanoska

Abstract

The aim of this paper is to examine past and current practices, and the future prospects for the protection of cultural heritage in Macedonia and Italy. Specific attention has been paid to the comparison of these two countries in terms of the legislative grounds for activities such as preserving, enhancing and accessing common heritage; the preservation and development of cultural heritage; as well as, educational, research and training programs. Furthermore, this chapter will focus on variations and differences related to the protection of cultural heritage in Macedonia and Italy. The theoretical framework will be derived from two aspects: Cultural heritage as a vehicle of cultural identity; and, cultural heritage as a factor in economic development. Furthermore, we consider the importance of EUROMED Heritage as a regional program which fosters the development of cultural heritage in the European Mediterranean area. It is anticipated that the results of this study will contribute to the identification of organizational issues related to the protection of cultural heritage and cultural identity as fundamental values, with recommendations on the promotion of possible measures which should be undertaken at local, national and international levels.

Keywords: cultural heritage, protection, preservation, economic benefit.

Introduction

Cultural heritage is our reference point to the past. It helps us understand our histories and the ancestry that binds us together. However, cultural heritage is also an integral part of our present, and our future. Understanding our common heritage, based on intercultural meetings and cross-fertilizations which have taken place in Europe over centuries, contributes to our common well-being. It offers an insight into today's diverse societies and shows us what can be achieved when cultures meet and inspire each other (Convention Concerning the Protection…, 1972).

Cultural Heritage and the EU

In addition, our culture and heritage have an important role to play when it comes to building a more economically sustainable and cohesive Union. The role cultural heritage plays in economic and social development is being considered more and more in local and regional development. The Europe 2020 strategy aims at tapping into Europe's potential for innovation in order to achieve smart, sustainable and inclusive growth. Culture and cultural heritage have a clear role to play in at least four of the Europe 2020 flagship initiatives: innovation union, the digital agenda, industrial policy for the globalization era, and an agenda for new skills and jobs.

Never before has cultural heritage been dealt with so prominently in an EU-treaty as in the Lisbon Treaty. As expressed in Article 3.3. TEU "(…) The Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced" (Treaty of Lisbon, 2009). The preservation of cultural heritage is of great importance for the European Union. Therefore, the European Commission actively promotes these principles within the framework for cooperation on culture policy and the implementation of different concrete actions.

However, the European Union does not have a clearly defined competence in this field. According to Article 167 of the Treaty on the Functioning of the European Union, the Union should be: "encouraging cooperation between Member States and, if necessary, supporting and supplementing their action" in the field of culture. The EU does not have any decision making power in the process of cultural heritage policy (Treaty on the Functioning…, 2012).

The upkeep, protection, conservation, and renovation of cultural heritage are primarily a national responsibility. Therefore, the Union's action is complementary to national or regional action. Nevertheless, the other EU policies can have either a direct or an indirect impact on the cultural heritage sector. The Commission works to ensure that the protection and promotion of cultural heritage is given due consideration in other sectors such as regional planning, agriculture, the economy, research, and the environment. In 1974, the European Parliament adopted an initial resolution which mentioned the need for Community action in the cultural sphere, particularly action to protect cultural heritage (Resolution from the European Parliament..., 1974).

Article 151 of the Treaty stipulates that the Community must support and supplement action by the Member States in order to conserve and safeguard all cultural heritage of European significance (Treaty on the Functioning…, 2012). The action initially taken by the Community was limited to supporting the restoration of “built heritage”, such as the Acropolis in Athens and the Chiado historic centre in Lisbon. Since then, the Community has taken action with regard to movable and immovable heritage (museums, collections, libraries and archives); archaeological and architectural heritage; natural heritage (landscapes and sites of natural interest); linguistic and gastronomic heritage, and traditional occupations. Community actions of this kind deal with both cultural and economic aspects of heritage.

Cultural heritage includes any form of artistic or symbolic material signs which are handed on from generation to generation within each culture. Cultural heritage can be tangible or intangible. Intangible cultural heritage is defined by UNESCO as practices, expressions, knowledge, skills that communities, groups and in some cases individuals recognize as part of their cultural heritage. Tangible cultural heritage is often also referred to as cultural property. Cultural property is movable or immovable property with importance to the cultural heritage of every people, for instance buildings and books (Convention Concerning the Protection…, 1996).

To ensure the protection of cultural property in the future, the current status of the protection of cultural heritage needs to be assessed. This study will be based on a comparative model that is developed on a theoretical framework through research into the literature and the subject matter input on the protection of Cultural heritage. Within this comparative model the following subjects will be addressed:

- The legal framework for the protection of cultural heritage
- The protection of cultural heritage at an international level
- The national implementation of the protection of cultural heritage, and
- How training and education on the protection of cultural heritage is being organised.

A comparative model between Macedonia and Italy will be employed in this chapter, and different perspectives will be taken into account in order to ensure a comprehensive approach to the protection of Cultural heritage. This will result in an analysis of the "best practices" in strategies for the protection of cultural heritage. Finally, several recommendations will be proposed.

Protection of Cultural Heritage

For the purpose of providing unique access to the identification of cultural heritage and building an information system with qualitative comparability and availability of data, cultural heritage will be classified according to the national classification of cultural heritage according to law. National classification sets the standard of the typological classification used for the identification of cultural heritage for official purposes, in groups, subgroups, forms and types, with codes and official titles (National Classification of Cultural…, 2004). National classification should be put into effect by the Government. A classification of cultural heritage according to the National Classification should be carried out by the administration.

The essential difference between traditional and modern protection of cultural heritage lies in the understanding of how protection is meant to serve. Traditional protection is based primarily on the conviction that its objective is the physical protection of individual cultural monuments from destruction and from the changes wrought by time and modern ways of living, and on the presentation of the values that have led us to protect a monument as an item of cultural heritage. As an economic, spatial and social category – and not just as a cultural bearer of national, aesthetic, and religious values – heritage is regarded in a wider context than ever before.

The political dimensions of heritage reside in the fact that the accessibility, knowledge understanding, and protection of heritage serve mainly as self-conformation for people, especially for young people. Every social group has the right to place itself in its historical, social, and cultural environment; heritage can play, and plays, a decisive role in this. Heritage is

becoming an element of social cohesion at local community and regional levels; its uniformity fosters a sense of one's own identity, while its diversity encourages tolerance and respect for others.

The contemporary understanding of heritage also goes beyond the preservation of individual buildings and objects, working in an interdisciplinary way by building on the work of the basic professions: archaeology, architecture, ethnology, landscape architecture, history, technical history, art history, the history of urban planning, and general history. The profession is increasingly moving beyond the treatment of heritage on a case-by-case basis by widening its view to include larger spatial units and wider values of the cultural environment, with a study of the content and full diversity of meanings of that environment. Contemporary approaches expand the scope of those participating in the protection process (from professional and local communities to civil society), in research, direct interventions in and on buildings, decision-making, and the search for the most appropriate solutions, as well in heritage management:

Documenting – accompanies all stages of professional work. This covers the systematic collection, processing, analysis, search and forwarding of data. Files generally comprise a collection of all the data on a building or area, such as its state, the work that has been carried out on it, conservation plans and projects, and the financial resources invested in it.

Unit of cultural heritage – is part of a building or a whole building, several buildings or an area that has cultural heritage features. When defining an individual unit, one has to particularly observe the following principles: the uniformity of the space; the homogeneity of its original use; and, the unity of the approach towards protection.

Recording – this is the phase of work in which, on the basis of the results of basic research, field work by conservators and others is carried out. Activities include: working primarily with the protection of existing records; and, collecting objects, buildings, groups of buildings or areas that have possible cultural heritage features. Archaeological research constitutes a special method of obtaining material and data on heritage.

In situ – is a basic protection principle that emphasizes the inseparability of a building or part of a building from the environment in which it arose, and the need to protect it at the site itself. Relocation is only justified from a professional point of view if there is no other way of providing a monument with permanent protection.

ICOMOS – is the world non-governmental organization for monuments and areas, founded in 1965. Its tasks are oriented towards strengthening the popularization of cultural heritage, research and protection, as well as mobilizing the general public and governments to undertake protection tasks and disseminate ideas, experiences and the results of the protection work that is being undertaken. ICOMOS works with UNESCO and other international organizations.

Cultural Heritage as a Vehicle of Cultural Identity

Cultural heritage is widely recognised across Europe as a vehicle of cultural identity. How much people know about cultural heritage depends both on what is done to promote it and also on the capacity of Europeans to appreciate their own culture and those cultures of the other EU Member States. Preserving and enhancing Europe's cultural heritage is one of the key objectives of the cultural cooperation programme, approximately 34% of whose budget is earmarked for this purpose (Culture Programme 2007-2013). The programme supports projects for conserving European heritage of exceptional importance, otherwise known as "European heritage laboratories" – some of which have, for instance, played a part in the restoration of the frescoes in the Basilica of St. Francis of Assisi in Italy.

The Council of Europe and the European Union are also working together to organise European Heritage Days, which have been held since 1991. Likewise, the Culture Programme finances projects which seek to raise our awareness of common heritage.

European Heritage Days are the opportunity to visit rarely seen monuments. Every year more than 20 million people enjoy access to thousands of rarely opened sites and unique events as part of European Heritage Days, which take place every September in 50 countries across Europe. This locally-led initiative is supported by the European Commission and the Council of Europe. It gives the public a rare opportunity not only to visit historical buildings that are normally closed to the public, but also lets them take part in cultural events that highlight local skills and traditions, architecture, and works of art. An outstanding and often unknown variety of events and monuments are open to the public thanks to European Heritage Days. They range from guided visits to rarely-open sites to open-air performances, and exhibitions highlighting key events in European history.

First launched in 1985, European Heritage Days have been organized since 1999 as a joint initiative of the European Union and the Council of Europe in close cooperation with the group of national coordinators. Various EU member states have taken part in European Heritage Days by putting new cultural treasures on view and opening up historic buildings which are normally closed to the public. The cultural events highlight local skills and traditions, architecture and works of art, but the broader aim is to promote a mutual understanding among citizens. From their launch at European level, European Heritage Days have gained each year in importance and they have proved a success among the public (European Heritage Days).

The need to protect and enhance cultural heritage extends beyond Europe's borders. The European Union is seeking to meet this need by working with international organisations and non-member countries which have signed cooperation or association agreements.

Each year, national and regional events are organized around a special theme. These themes may vary from year to year in each country. They include such topics as: specific forms of heritage (such as: farmhouses, musical instruments, culinary traditions, or garden architecture); distinct periods in history (for example: medieval heritage or baroque heritage); and, society's approach to heritage (with regard to: heritage and citizenship, or heritage and youth). The themes bring countries together to highlight the European dimension of the event or to raise awareness of heritage at the crossroads of artistic, scientific, and commercial life.

"Europe, a common heritage", a Council of Europe campaign, was also launched in 1999 whose organisational outline and methods were endorsed by the Foreign Affairs Ministers in Budapest on 6-7 May 1999. The campaign involved the 47 Contracting Parties to the European Cultural Convention, the observer states, governmental and international non-governmental organizations in the field of cultural heritage, and it was supported by the European Commission, UNESCO, Europa Nostra, ICOMOS, ICOM. National committees have been set up in 37 countries. The joint Council of Europe and European Commission Campaign Programme included five core activities. These were: European Heritage Days; an international photographic competition; the ancient universities route; the decorative arts workshops; and, European traditional musical heritage (Council of Europe…, 2001).

These events and campaigns accrue from various agreements, conventions, and programmes regarding the protection of cultural heritage signed by the EU member states, various partner countries, the European

Commission, the Council of Europe, and UNESCO. To name just a few: EUROMED Heritage is a regional programme which fosters the development of cultural heritage in the European Mediterranean area; it forms part of the cooperation programme with the Mediterranean counties (MEDA)(Euromed Heritage I (1998-2004), Euromed Heritage II (2002-2007), Euromed Heritage III (2004-2008). EUMEDIS is an initiative designed to promote the development in Mediterranean countries of digital services, such as multimedia services which provide information about cultural assets and tourist sites.

Cultural Heritage as a Factor in Economic Development

Europe's cultural heritage is a precious asset in economic terms too. With this in mind, the European Union supports projects in the field of vocational training, regional development, and the use of digital content relating to culture. As a valuable resource shared by everyone, cultural heritage is protected at both national and European levels. In its resolution of January 2001 on the application of the Convention concerning the Protection of the World Cultural and Natural Heritage in the Member States of the European Union, the European Parliament highlights the importance of providing training in heritage restoration work as well as arts and crafts and traditional occupations (European Parliament resolution…, 2000). The European Regional Development Fund (ERDF) provides financial assistance to restoration projects which form part of regional development programmes, innovative action, and community activities within the URBAN initiative – which covers urban areas in crisis – and the INTERREG initiative, which promotes regional cooperation across the EU in various fields, including urban development.

In 1997, the European Commission initiated efforts to conduct an overall assessment of urban development and set up an Urban Forum and an Expert Group on the Urban Environment. This led to the adoption in 2001 of a Decision of the Council of Europe and the European Parliament establishing a community framework for cooperation to promote sustainable urban development, which would cover cultural, tourist, and leisure activities associated with cultural heritage (Directive 2000/60/EC, 2001).

Technology plays its role in facilitating the restoration and conservation of cultural heritage as well as providing access to it. In the fifth EU framework programme for research and technological development and its sub programme "Environment and sustainable development", the action

"The City of Tomorrow and Cultural Heritage" has financed research on the restoration, conservation and development of cultural heritage in European cities. A third of this budget was devoted to the identification and evaluation of damage of movable heritage as well as that of European built heritage. Certain projects of this action launched at the end of the fifth framework program ended in 2006 (Fifth Framework Programme 1998-2002).

Moreover, the Eurocult21 project under the action "The City of Tomorrow and Cultural Heritage" develops tools which allow local authorities to improve and consolidate their urban cultural policies. As part of the research programme to promote a User-Friendly Information Society, work is carried out to explore how digital technologies can be used in projects relating to the enhancement and management of cultural heritage. The TEN-Telecom programme is geared more to the business sector and fosters the use of on-line services in areas of common interest, such as culture and access to heritage.

The sixth framework programme for research and technological development includes a priority "Support to the other EU policies" which includes in particular one activity of research in the field of cultural heritage. The sixth framework programme also finances under its international cooperation programme, certain research projects in the field of cultural heritage with partners from Mediterranean countries (The Sixth Framework Programme in brief, 2002).

Finally, the eContent programme seeks to encourage the sale of digital content and the creation of multimedia information systems, some of which may relate to cultural heritage. The programme also aims to widen access to digital content by promoting linguistic diversity on worldwide networks such as the Internet.

Like anything else of value, cultural goods can be stolen not only by individuals working alone but also by organised traffickers. The protection of national treasures is primarily the responsibility of the Member States (Article 30, Treaty of Lisbon). However, given that goods can be transported without any customs controls between the Member States within the internal market a common framework is needed to ensure the return of cultural objects unlawfully removed from the territory of a Member State (Council Directive, 1993 and Council Regulation, 1992). There are several European Commission initiatives concerning this issue: The *Guidelines for Administrative Cooperation between the Competent Authorities* provides all necessary information for implementing and developing administrative cooperation on a national level in

the field of the protection of cultural goods in the Community. Moreover, the European Commission undertook an analysis of the feasibility of including stolen cultural goods in the second generation of the Schengen Information system (SIS II).

The Protection of Cultural Heritage in Macedonia

Following a proposal by the National Council of cultural heritage, the Government of the Republic of Macedonia will enact a national strategy for the protection and use of cultural heritage in Macedonia. The national strategy will be enacted for a period of 15 years and will provide a long term basis for the policy on the protection and use of cultural heritage. The national strategy will be harmonized with the Spatial Plan of the Republic of Macedonia and with the strategies for protection and the use of common cultural heritage in Europe.

The Republic of Macedonia is a small country both in the terms of territory and population, with limited economic resources and numerous problems of various kinds. However, Macedonia has an incredibly rich cultural heritage of various types and of periods with significant historical, artistic, scientific, and other values. Due to its multiple values and importance, Macedonia's cultural heritage attracts the interest of many stakeholders.

The increased interest for Macedonian cultural heritage also means an increase in the risks to which such cultural heritage is exposed. This mainly refers to the fact that there is a certain number of individuals and organized groups, both Macedonians and foreigners that have different interests and intentions towards the cultural heritage of the country. The dangers from intentional damage or destruction, stealing, usurpation, concealing, suppression, illicit trade, illegal import and export, illegal excavations and other illegal activities become more real and greater day by day. There is also a usurpation of archeological sites as well as qualified efforts for circumvention – by replacing the original icons with new ones, which happens in some rural areas. Unfortunately, in Macedonia there is also the intentional damaging and destruction of sacred objects and items due to nationalist reasons or religious intolerance. In a nutshell, we can say that there are more than enough reasons to make us worry.

From the normative point of view, the first key feature of the new Macedonian model of protection is the treatment of the security protection of cultural heritage as a separate form of protection and an integral part of the

system for the protection of cultural heritage. The organizational changes on a national level are the second key feature and the new instruments for protection are the third one. An important novelty is the effort put into the systematization of Macedonian cultural heritage.

A key element in the Macedonian model is the effort made to bridge the legal gap that used to exist with regards to the origin of goods in their purchase. This has been done by providing actions against suspicious offers for purchase, and is supported by a prohibition against registering suspicious items in museums and inventory books, the issue of private collections and the exclusion of particular types of goods as objects for collection. Similarly, the Macedonian model advocates the maintenance of a registry on the origin of antiquities, artistic and other items of collections that are traded as well as the prescribing of special obligations for traders with antiquities, along with a detailed regulation of the exchange, concession, import, export and restitution of cultural heritage, and publicity concerning every case of illegal activity related to cultural heritage. Another important novelty is the widening of the list of misdemeanours related to cultural heritage.

The ground base for the protection of elements of the intangible cultural heritage was founded after the establishment of the Macedonian state at the end of the Second World War after which Macedonian institutions dealing with the gathering and preservation of cultural heritage had been set up. The first institutions of this type were the museums, and departments for ethnology and folklore which were created as a part thereof.

The Ministry of Culture is one of the institutions whose main goal is the creation of cultural policy and cultural management in Macedonia, which includes elements of the legal and political protection of non-material cultural heritage. In its framework there is a section that covers culture, the arts, and cultural heritage. Surely, the above mentioned institutions are not the only ones in Macedonia that deal with intangible cultural heritage, but those are, however, the most important and influential ones. Still, in the last twenty years, which have been recognised as a period of transition, the institutions that deal with cultural heritage are not given sufficient attention. The biggest problem is the lack of human resources due to savings made by the state and the insufficient financial means that would enable these institutions to function more effectively.

Cultural area or landscape is a new term in the categorization of tangible cultural heritage. However, Republic of Macedonia has not yet defined its cultural areas or landscapes in its legislative. The criterion for their

selection is their cultural and/or natural importance. Cultural areas can be important archeological sites as well. What is important is for the National committee of ICOMOS to establish a sustainable relationship with the local authorities in Macedonia in order to preserve and protect monuments in the Macedonian municipalities.

The Republic of Macedonia has a valuable tradition build throughout many centuries and under various cultural, ethnic, and religious influences. Furthermore, there are innumerous artefacts and museum exhibits. However, even though it is said that in Macedonia one can find an archeological site on every step, and that every stone is an artefact, there is only the City of Ohrid that can be found on the UNESCO world heritage list of natural and cultural heritage since 1980. On the tentative UNESCO list there is also the Slatinski Izvori cave and the Markovi Kuli rocky mass but in order to get protected by UNESCO, a substantial record should be complied followed by helicopter - based photographing.

UNESCO has been supporting Macedonian natural and cultural heritage through collaboration in various projects and donations. For example, UNESCO donated 50.000 euros (IKOMOS, Macedonia) for the publication of the Cultural Heritage Protection Office in four volumes. The first volume is dedicated to the Macedonian churches; the second volume is dedicated to monuments from the Ottoman period; the third volume deals with archeological sites in Macedonia, and the fourth part is destined to Ohrid as a city of UNESCO (IKOMOS, Macedonia).

The Italian Government has been the principal donor for research at the archeological sites in Heraclea, Skupi, and Stobi as well. The promotion of cultural heritage helps in the devlopment of cultural industries and creates economic benefit through the attraction of tourists. The investment in cultural heritage influences the general development of the country. Very often the countries with the highest number of monuments and historical sites are the most visited countries and economically the most developed ones.

Protection of Cultural Heritage in Italy

Our research shows important figures which at the same time are pointing to great opportunities, but also to some worrying trends (Supplemento ordinario, 2012):

- Italy is the country which has been the most searched on Google, more than the USA and even China.
- There could be 500,000 potential vacancies created by 2020, if the plan for tourism were to be implemented.
- According to the same strategic plan for tourism in Italy, tourism could provide an income of 30 billion euros for Italy.
- At the moment, Italian tourism employs one out of ten Italians.
- The Italian expenditure on culture is 15% of the Italian worth and employs one in five Italians.
- There are 160 types of tourism in the world, and Italy has at its disposal 100 of them.
- Italy plans to invest in the protection of cultural heritage in 2014, 1,528,404,065 €. In 2013 the investment was 1,560,073,060 € and for 2015 1,502,616,920 €.

The Italian policy of substantial investments in Italian culture, and the protection and promotion of Italian cultural heritage through various projects has its merits and effects. However, the management of Italian cultural heritage urgently requires some new economic policies. The opening of new museums and theatres, the restoration and reconstruction of many historical buildings, monuments, churches, and other important interventions in the sector did not solve the issue of the management of cultural heritage, but on the contrary, they have worsened it and made it more difficult and complicated.

What seems to be discouraging is the general policy of reducing the funds for culture that the Ministry of Culture allocates to local authorities. This is a great danger for the sector since it hinders further development. In many European countries culture has become a key area for economic and social development and the management of cultural heritage is an important and even a decisive issue in electoral political campaigns.

Experiences from countries like France, Great Britain, Spain, point to a sector which is financed and managed as a strategic national interest whose social and economic value can contribute to general cohesion and development. Only well-structured economic policy, on the one hand, and pragmatic management models, on the other, can allow cultural heritage to promote new concepts of management based on the most valuable resources and territorial identity.

The sustainability and the development of the sector for cultural heritage can neither be done just through normative interventions, however

attractive and useful they might seem, nor solely through new well-intended programs and projects neglecting the financial possibilities and their spending. Simple rhetoric that stipulates the importance of cultural heritage will not do the trick either. What is needed is more observation, attunement to the needs and the new socio-economic trends, and interpretation thorough an examination and processing of date, and last but surely not the least, new operative modes.

Even though Italian cultural heritage is the foundation of Italian tourism, it is absolutely forbidden to intervene in the protected natural zones which, by the way, have kept their value thanks to man's care throughout the centuries. Thus, many culturally important areas are left to the course of time and their future is endangered due to a lack of human intervention and care. One example is the terraces of Cinque Terre. On the other hand, excessive excavation is allowed in the zones of greatest value, such as the region of Tuscany and Urbino, income being the principal motivation. This raises some doubts about the ineffective management of cultural heritage, and protection in Italy.

A lack of money, funds, and resources is the most current excuse used in Italy for the ineffective management of cultural heritage, but it does not always reflect the truth. For example, the European Union has granted 48 million euros for 2010 (European Development Fund) for new companies that deal with cultural heritage in Sicily. However, there is no trace of these companies. Nearly all funds and research is concentrated on the "great jewels" of Italian tourism like the art galleries and the famous monuments in Rome. Other types of cultural heritage are overshadowed by personal interest and power which prevents the sustainable development of Italian cultural heritage and economy.

The historical moment we live in is marked by a deep enonomic crisis which affects not only European countries, but beyond. Architecture, craftsmanship, music, theater, arts do not enjoy the support that they have seen in the past.

Conclusions

There are many reasons that necessitate a need to open up the issue of the exchange of ideas and experiences with regard to the inclusion of cultural heritage as a resource for economic development and also as an important segment of the social life of contemporary societies.

The cultural heritage of one society should be used to mobilize capital and resources for its preservation and functioning in the future. In order to do that, it is necessary to shape and group the cultural product exactly in that form. That would mean that a specific item of cultural heritage should be promoted as a well-developed project and not as a fragmented or isolated case, which would not be attractive for investments. For, at the end of the day, these projects should not only be attractive to visitors, but also to investors.

The key proposals for the proactive use of cultural heritage as a resource for development of the society are as follows:

- Setting out the long-term interests of both the local population and the state as a whole for economic development. This would necessitate the need to protect the cultural and natural heritage and also the environment, taking into account the social structure and physical characteristics of society;
- The need to sign partnership agreements between the relevant state and local authorities and international organizations;
- The development of a strategy, establishing a unique economic policy that will define the level and the instruments for economic development;
- The provision of the authentic protection of established sites of architectural and archeological heritage, a protected regime for economic needs with clearly established preventive protection measures (such as fencing, signage, and an optimum frequency of visitors);
- The development of the necessary infrastructure, depending on the importance, nature and character of the site;
- Raising the awareness of the population and providing training to staff who will manage the cultural heritage.

The most important elements which profile the cultural and economic basis of the heritage that is put into use for the purpose of economic development are:

- Geographical position and communication links. These are primary factors that enable a complex exploration of heritage from various perspectives: the vicinity of larger urban centers that will animate the

users of the tourist services, which will produce more visitors, a rich cultural heritage and other heritage that will produce a complex and lively economic-tourist atmosphere;

- The level of complexity and research of the heritage that is a potential object of economic exploitation, the level of conservation and restoration, authentic atmosphere, the general setup, and any additional infrastructural content – are just the basic requirements that should be met before opening the cultural heritage for commercial and educational purposes.
- The cultural heritage that has the potential for economic development should have an appropriate and not a passive attitude towards all cultural-tourist aspects, without improvisations and with a previously well projected program for its economic use. It is necessary to pay attention to the scientific and professional approach, for its value that should be offered as a good investment in the economic exploitation with interest both for those that enjoy it and those that manage it.
- Investments in the economy cost a lot by default. Investment in cultural heritage for its adaptation for economic purposes is much more expensive, but the investment in culture without any opportunity for economic benefit is the most expensive because there is no return on the capital.

The smart use of cultural heritage as well as its protection and preservation is an important issue in contemporary societies. There are a lot of international associations and institutions with a long tradition in the area that summarize both the positive and negative trends from the perspective of cultural heritage tourism. At the same time, the need to protect and preserve cultural heritage for future generations is undoubtedly clear, but it costs a lot. In order to preserve it and protect it, countries need and spend a considerable amount of money, thus the management of cultural heritage requires thorough planning towards developing a well-developed, responsible, and sustainable cultural tourism. There is a need for a serious system of rules for behaviour in order to achieve and maintain a balance between the goals set and the relevant stakeholders in this area.

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Industries and Development

Public Policy to Promote Innovation by SMEs in Traditional Manufacturing Industries: Policy Transfer from the EU to the Western Balkans

Geoffrey Pugh

Abstract

In the EU, SMEs in traditional manufacturing industries/sectors account for a high – and in many regions an increasing - share of total employment in manufacturing. Yet SMEs in traditional sectors are relatively neglected by researchers and policy makers. This chapter argues that SME innovation in traditional sectors comprises multi-dimensional and interrelated product, process, organisational/managerial and marketing innovations, all of which are important in adding value and generating employment. In designing public policy to promote innovation by traditional sector SMEs, the market-failure rationale for subsidising R&D inputs is less relevant than an innovation systems approach informing a broad range of lower cost policy interventions, which include measures both to promote interactions with new partners (thereby accessing knowledge and opportunities) and to enhance SMEs' capabilities to learn and to innovate (i.e. to commercially exploit knowledge). The most effective policy instruments to promote SME innovation in traditional sectors are demand-led and relatively low cost. This chapter concludes with indicative conclusions for policy makers in the Western Balkans but cautions that further research is needed: to determine the extent to which policy transfer is possible; as well as the corresponding extent to which modifications of EU programmes will be needed to account for local circumstances.

Keywords: SMEs; traditional manufacturing industries; innovation; innovation-support programmes; policy transfer.

Introduction: Deindustrialisation and Reindustrialisation[i]

Throughout the Western Balkans there is evidence that "extreme deindustrialisation has reduced the contribution of manufacturing output to levels which are not consistent with their degree of economic development" (Damiani and Uvalic, 2014). The necessary conditions in the business environment for increasing the competitiveness and size of manufacturing industries in the Western Balkans are well known and, to a greater or lesser extent, well advanced: macroeconomic stability; institutional reform; infrastructural improvements; and competition. Yet, so far, sufficient conditions for supply-side dynamism are still lacking, which is why trade liberalisation has led to burgeoning imports while exports lag behind, contributing to high and persistent current account deficits. For manufacturing to generate export-led growth, the sufficient conditions are that firms innovate, invest and, thereby, raise productivity.

Reindustrialisation is high on the EU policy agenda (European Commission, 2013) and is certainly not less of a priority for the Western Balkans. With respect to this Conference - THE EUROPE OF TOMORROW – reindustrialisation is the prerequisite of the final theme, an INTEGRATED future. It is the key to job creation, productivity growth and convergence towards the income levels of the EU. In turn, real convergence will allow accession of the Western Balkan states to the EU without adding excessively to migration pressure on the existing EU states as well as for the Western Balkan states to eventually participate fully in economic and monetary union by adopting the euro. Both of these issues are of paramount concern to both the EU and to the Western Balkans. In this chapter, we use the first theme of this Conference – a CREATIVE future – to contribute some ideas and evidence on how to support and stimulate innovation, which is the source of supply-side dynamism in market economies and thus part of the foundations of a reindustrialisation strategy.

This chapter introduces research on small and medium enterprise (SME) innovation in traditional manufacturing industry in the EU and how public policy may best support SMEs to innovate and invest.[ii] The extent to which research findings on innovation and public support measures may be transferred between traditional manufacturing sectors in the EU and their counterparts in the Western Balkans has not yet been researched. The intention of this chapter is to stimulate discussion and subsequent investigation into what may be transferred or easily adapted from EU practice.

Traditional Manufacturing Industry: Definition and Enduring Importance[iii]

Our definition of a traditional manufacturing sector is different from the OECD classification of "high", "medium" and "low-tech" industries, which is based on the R&D intensity of the industries. Instead we define as "traditional" those manufacturing industries with the following characteristics: long established; once a main source of employment at the (sub-regional level; medium- to long-term decline, especially in the numbers employed; still a major source of wealth creation, employment and exports; and retention of capacity for innovation and productivity growth. Traditional industries include *inter alia* the manufacture of food products and beverages, textiles and textile products, leather and leather products, ceramics and other non-metallic mineral products, mechanical/metallurgy or basic metals and metal working and manufacturing, and automotive (motor vehicles etc).

SMEs excite great interest from both researchers and policy makers. However, most of this interest is focussed on higher-tech sectors – especially on "start-ups" and "gazelles" (i.e. SMEs with sustained and very high growth rates). While the world's policy makers mainly yearn for their very own "Silicon Valley", SMEs in traditional sectors have proved less of a priority for policy makers. Even so, throughout the European Union, there are around 400 public innovation support programmes for small and medium enterprises (SMEs) in traditional manufacturing industries. Yet, in the absence of best practice evaluation, they are of unknown effectiveness, which precludes identification and the spreading of best practice. Responding to this knowledge gap and to better informed policy, the European Commission's DG-Research commissioned the multi-methods GPrix project to evaluate the effectiveness of public innovation support programmes for small and medium enterprises (SMEs) in traditional manufacturing industries.

The GPrix project took place over 27 months: November 2009 – February 2012 – and investigated seven EU regions noted for concentrations of traditional manufacturing industry: West Midlands (UK); North Brabant (Netherlands); Saxony-Anhalt (Germany); Emilia-Romagne (Italy); Comunidad Valenciana (Spain); North/Central (Portugal); and Limousin (France). In each of these, traditional manufacturing industries continue to be important in the regional employment structure. Figure 1 shows that upwards of 40 per cent of all manufacturing jobs in these regions are accounted for by the six manufacturing industries given as examples of traditional sectors.

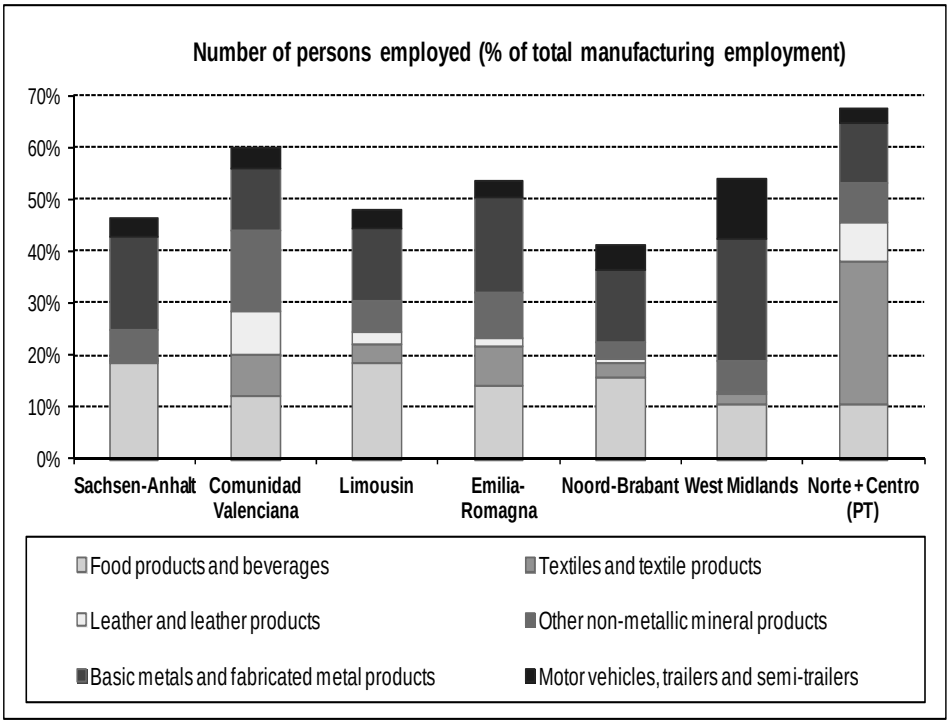

Figure 1. Employment in traditional industries in the GPrix regions. Data source: Eurostat, data for 2007.

The importance of traditional manufacturing industry is not confined to these seven regions but is common throughout the EU. Figure 2 charts the change in European regions' employment share of traditional industries from 1995 to 2009. It reveals that in around half of EU regions the share of traditional industries in manufacturing employment increased over these 15 years; and that, moreover, in 78 EU regions the increase exceeded 4.5%.

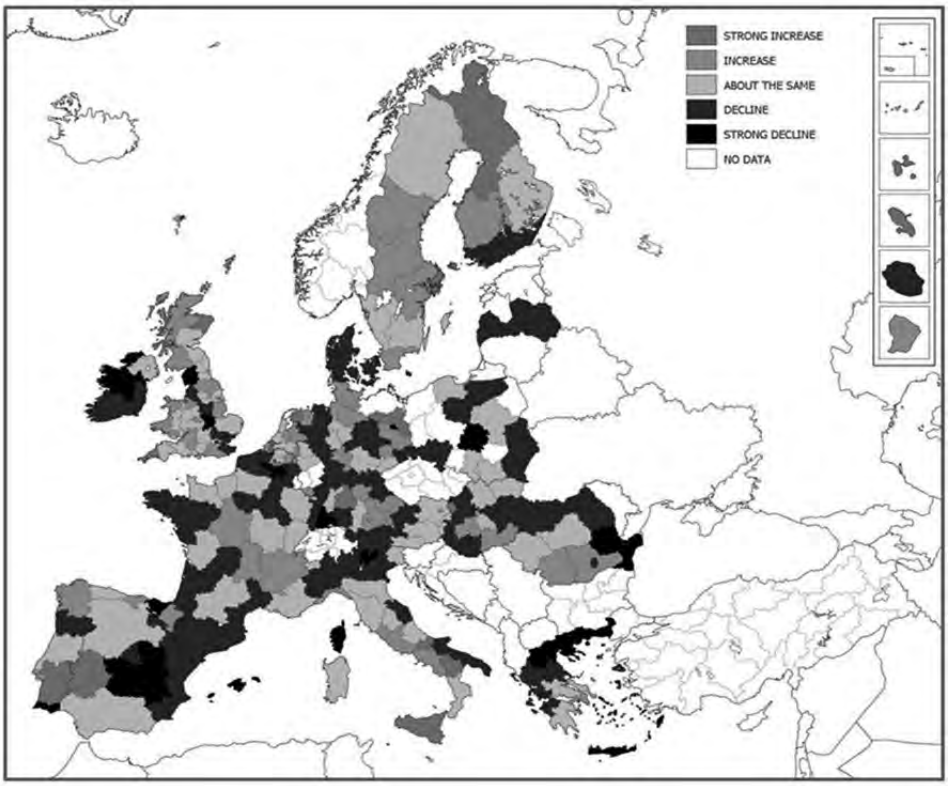

Figure 2. Change in European regions' employment share of traditional industries, 1995-2009. Map created with Region Map Generator. Data source: Eurostat. Data for 2009 and 1995 (or closest years available). The groups were identified using hierarchical clustering and Ward's method.

In spite of the continued and even growing importance of traditional manufacturing industries in the EU, these sectors are often overlooked by policy makers. Even the EU policy focus reflects mainly the more "sexy" priorities of research and development (R&D) and high-tech SMEs. In particular, the Lisbon agenda and the Barcelona target of spending 3% of GDP on R&D is rooted in the idea that lagging EU productivity growth caused by a failure to bring about structural change towards R&D intensive high-tech sectors. Yet high-growth firms are not overrepresented in high-tech sectors: for example, in the UK high-growth firms are almost equally present in high-tech and low-tech sectors. Nor are high-growth firms necessarily R&D intensive. Moreover, SME innovation in traditional-sectors is in the main not driven by in-house R&D. In the next section we look more closely at SME innovation in traditional manufacturing industries.

Innovation in Traditional Sector SMEs

SMEs in traditional manufacturing industries have their existing knowledge embodied in "know how" rather than codified in R&D and patents. Along with tacit knowledge, the GPrix project found that SMEs in traditional manufacturing industries display a common approach to augmenting and commercialising their knowledge, so that we can talk of an "innovation model" in traditional manufacturing. Innovation by SMEs in traditional manufacturing industries mainly corresponds to the broad concept of innovation proposed in the *Oslo Manual* (OECD, 2005). This embraces both technological and non-technological innovation and includes four main and inter-dependent categories.

1. **Product innovation**, which includes design – in particular, technical design, which in the UK (for example) is far more typical of SME innovation in traditional manufacturing industries than is R&D. Design innovation is often driven by customers who approach a firm with known expertise and ask "can you make this" (cheaper, smaller/lighter, to fit this new product … and so forth). New and/or improved products often require SMEs to provide services – known to be a major part of current innovation across the manufacturing sector – which, in turn, requires organisational innovation (e.g. to manage new relationships required by service provision). In addition, product innovation through design has major implications for process implication.
2. **Process innovation**, which typically requires technology acquisition for product development (e.g. Computer Aided Design and manufacturing) as well as for production (e.g. use of advanced machinery for new products; Computer Numerical Control; etc). Process innovation by SMEs in traditional manufacturing sectors is strongly related to product innovation and is often driven by suppliers.
3. **Organisational and managerial innovation**, which includes workplace organisation (e.g. the "new management practices", including human resource strategies) and external relations (e.g. supply-chain management, relationships with trade associations, colleges and universities, and with other – possibly unrelated - firms).
4. **Marketing innovation**, including marketing strategies and, in particular, exporting.

In all of these inter-dependent types of innovation, interactive learning is of central importance. For SMEs in traditional sectors, a successful innovation system embraces some, or all, of other SMEs, suppliers, customers, colleges and universities, government and regulatory bodies, and unrelated firms (e.g. through trade associations).

One important area in which the GPrix project departed from the innovation concept in the *Oslo Manual* is in this document's neglect of exporting. Exporting is excluded from the broad innovation concept and is not even mentioned in association with marketing innovation. Similarly, the vast academic literature on innovation typically does not consider exporting, but rather reports models in which exporting is treated as an independent determinant of some measure of innovation. However, exporting is considered by an older literature devoted to "diversification". We argue that in the context of SMEs in traditional manufacturing industry, diversification – into new products and new markets - belongs entirely within the scope of innovation, with new products corresponding to product innovation and new markets (exporting) fitting comfortably within marketing innovation. Our reasons for this modification of the *Oslo Manual* framework are as follows.

1. In theory, exporting may be regarded as a species of innovation. This view goes back at least to Schumpeter (1942) who identified 'new markets' as one of the main forms of innovation giving rise to the 'process of Creative Destruction':

   The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organisation that capitalist enterprise creates ... that incessantly revolutionises the economic structure from within ...
2. In the respective empirical research literatures, models of SME innovation and of SME exporting behaviour typically have determinants in common: for example, firm size and dummies for industry and region.
3. Both case study interviews and survey data from the GPrix project suggest that SMEs in traditional manufacturing regard exporting as innovatory activity. In the GPrix survey all the examples for respondents of types of innovation followed the *Oslo Manual*, in which marketing innovation is restricted to varieties of marketing techniques but excludes entry into new markets. Yet, when asked to name the most useful innovation support measures in which they had participated, more than 10 per cent or respondents named export promotion programmes.[iv]

This distinction matters. Resources are wasted and opportunities lost because separate public institutions have grown up dedicated on the one side to promoting exports and on the other side to promoting innovation. Yet theory, a joint reading of the empirical research literature on innovation and exports, and SME owners and managers themselves all regard innovation and exporting as cognate activities.

The Importance of Innovation for SMEs in Traditional Manufacturing Industries

Nobody doubts the first-order importance of innovation: innovative firms survive and grow; and regional and national economies thrive as innovative firms create employment. However, the case needs to be made for traditional manufacturing industries in particular.

The GPrix database includes detailed survey responses from 312 SMEs in the six traditional manufacturing industries in seven EU regions. (The survey was conducted in 2010.) Table 1 shows respondents' self-assessed improvement in capabilities for the four main types of "broad innovation" (relative to their industry, between 2005 and 2009) and the associated positive effects on the share of new products in sales. For example, the statistically significant Chi-square test statistic of 21.2 suggests a strong positive association between SMEs reporting "Improved capabilities relative to industry for" product innovation and their shares of new products in sales (greater than 6% compared to 6% or less). Similar results are reported for the other forms of innovation, in particular for process and marketing innovation for which the positive effect refers to a share of new products in sales greater than 15% compared to 15% or less. Table 1 also displays a significant positive relation between having achieved a new product innovation or organisational innovation and creating new jobs, which is a primary policy objective.

Table 1. Effect of improved innovation capabilities and introduced innovations on (a) innovative and (b) economic output (Chi-square test statistics)

	Share innovative sales (<6% vs ≥ 6%)	Growth in turnover (≤ 15% vs >15%)	Growth in employment (≤5% vs > 5%)
Improved capabilities[1] relative to industry for:			
product innovation	21.2**		
process innovation	22.4**	6.9*	
organisational innovation	17.6**		
marketing innovation	16.8**	7.9*	
Realized 1 or more[2]:			
product innovation	23.4**		
process innovation			6.9**
organisational innovation	23.3**		20.5**
marketing innovation	18.0**		

Note: Pearson Chi-square is shown; *p≤0.05, **p≤ 0.01; 1= improved vs same, or less (df=2); 2= realized an innovation versus not realized an innovation (df=1)

Public Policy to Promote Innovation in Traditional Sector SMEs

Mainstream economics provides a market failure rationale for the public subsidy of innovation that has influenced policy since the 1960s. In brief, private sector investment in innovation will be less than the social optimum for a number of related reasons: the commitment is long term; the returns are uncertain; and the returns may be only partially appropriable by the innovating firm. These obstacles to innovation have strongly influenced public policy in favour of science-based firms innovating by in-house R&D, with the consequence that most public funding for innovation support is “supply side” – meaning programmes with narrowly restricted eligibility and prescriptive outcomes such as R&D subsidies or R&D tax credits. However, because relatively few SMEs in traditional manufacturing industries innovate in ways that satisfy typically narrow legal definitions of R&D – which, for example, preclude technical design – these policy instruments are of little help to most of these firms.[v]

More relevant for traditional-sector SMEs are support measures influenced by theories of “systems of innovation” at industry, regional and/or national levels. Innovation systems theories emphasise the importance of environments that promote or discourage innovation. Moreover, policy makers need to influence not only the business environment but also SME behaviour, which can be self-limiting with respect to innovation. A strong ethos of self-sufficiency can foster insularity, which limits both access to external sources of knowledge, while the typically limited managerial capabilities of SMEs limits their ability to recognise and exploit new

knowledge. Accordingly, public policies to create an environment favourable to innovation and to promote innovative behaviour by SMEs in traditional manufacturing industries typically include:

1. promoting networks and interactions with new partners that facilitate knowledge acquisition (e.g. from design specialists, consultants, other firms, universities and so on); and

2. enhancing firms' capabilities to innovate - i.e. to absorb and to commercialise knowledge – through management development, workforce training and help to discover new opportunities (e.g. export opportunities).

Conventional support tends to be narrowly focussed, mainly relevant to large firms in science-based industries, and costly, as in the case of R&D subsidies or tax credits. In contrast, the type of public policy most relevant to SMEs in traditional sectors is intended not only to lower the price of inputs into innovation but also – and especially - to change firms' behaviour across the spectrum of innovation activity, in particular by improving SME learning and, thereby, enhancing SME capabilities to innovate.
Based on analysis of regional innovation policies for SMEs in traditional manufacturing industries, survey evidence and case studies of individual firms, the GPrix project recommended increased use of "demand-led" programmes to achieve customised projects for SMEs. Demand-led programmes are more generic than specific and can be characterized as follows:

1. covering the overall innovation life cycle from the first idea to market entry;
2. broad focus on different innovation types (product, process, organisation and marketing - i.e. both technological and non-technological innovation);
3. wide eligibility of different costs; and
4. flexibility in using the applied budget (internal budget shifts).

This is consistent with a trend within the EU towards innovation oriented policy rather than R&D policy. Although policies remain heavily focused on the supply-side, over the past few years the rate of implementing demand-side innovation policies at regional level has increased. Moreover, the traditional "supply-side" measures have changed and often incorporate more

demand-oriented aspects, e.g. by adopting a broader concept of innovation, also supporting marketing, internationalisation and design activities.

The *Innobarometer* 2007 shows that firms in traditional industries have received less support for R&D activities than have firms in other manufacturing sectors, while receiving more support than firms in other manufacturing sectors from the following measures:

- subsidies and loans for acquiring machinery, equipment or software;
- support for internationalisation, e.g. by providing financial assistance for attending or participating in trade fairs or trade missions;
- networking with other companies;
- brokering collaborations – e.g. with outside experts, with universities or with large firms' supply chains; and
- providing information on market needs, market conditions, new regulations, etc.

All of these are examples of public support consistent with demand-led, customised assistance to help SMEs respond to practical problems and changes in customer demand. Together with innovative public procurement, these types of programmes promote SME innovation in traditional manufacturing industries.

To illustrate these trends, we conclude this section with two examples of best practice in innovation support relevant to SMEs in traditional manufacturing: innovation vouchers, which are the most widely implemented type of demand-side policy; and a representative export-support programme.[vi]

a. Innovation Vouchers

There are now dozens of voucher schemes implemented in EU countries. Most of them are very recent and there is an increasing difference among them, but we mention here the original, oldest regional scheme that has existed for almost 15 years, and has served as an example for many of the more recent regional as well as national voucher schemes.

The innovation voucher is a credit note that entitles SMEs to establish a contact point with knowledge-intensive organisations, called knowledge providers (e.g. research and educational institutions, large companies, etc.) in order to 'buy' R&D and/or innovation expertise or knowledge. The innovation voucher was first presented in 1995 by the Limburg Development and Investment Company (LIOF) of the Dutch province of Limburg. The rationale behind its development was to improve the competitiveness of SMEs by

enhancing their knowledge level, broadening their innovative capacities and improving the knowledge transfer between SMEs and knowledge providers.

The rationale behind the development of innovation vouchers addresses three key problems:

- SMEs by their nature (and especially those from traditional sectors) are not sufficiently innovative;
- insufficient public-private interaction between demand and supply of knowledge; and
- an incentive structure for knowledge institutes that is insufficiently oriented towards demand.

The voucher scheme, if properly organised, is definitively a demand-led, customised measure. Firstly, it enables the SME to assess and choose a knowledge-related problem which hampers the accomplishment of an innovation project. Secondly, and more relevant, it allows SMEs to search and identify the knowledge providers with suitable know-how specifically related to that problem. Finally, the knowledge provider must be able to execute a project to address the problem and quickly deliver tangible knowledge results to the SME. The innovation voucher, being a coupon which can be spent on an R&D institution, provides financial support to start the cooperation.

The specific target of innovation vouchers is micro-, small- and medium-sized enterprises, often from low-tech or traditional sectors. In a few instances, only small enterprises are admitted, whereas exceptionally, as in the Lombardy region of Italy, the scheme is addressed specifically to spin-offs and start-ups. The knowledge-providing institution has to be either authorised by the voucher programme or has to be located within a specific region of the country/region funding the voucher scheme. However, some schemes (i.e. the Netherlands and Benelux schemes) also admit on their list of registered organisations those based in other EU countries, thus stimulating innovation through transnational cooperation. SMEs are also assisted in the identification of the most suitable external knowledge provider, in the cross-border information exchange and in follow-up projects. This mechanism ensures that innovation vouchers do not simply fulfil the objective of stimulating innovation, but more importantly broaden the basis on which SMEs approach innovation.

If the candidates outnumber the number of available vouchers, they are usually awarded by means of a lottery. As for the size of funding, each voucher ranges from €2,500 (the “small voucher” in the Netherlands) to

€25,000. The trend is towards increasing the funding size as well as the number of vouchers annually allocated in each scheme.

The efficiency of the innovation voucher scheme is attributed to the very limited administrative burden the scheme entails with respect to the benefits it appears to offer. As an example, SMEs applying for an innovation voucher generally are not requested to submit a project proposal, but a simple "knowledge question". The success of the scheme can certainly be attributed to its customisation. When the scheme is organised in such a way as to let SMEs identify the knowledge provider most appropriate to solve its innovation-related problem, the innovation voucher leads to successful results.

b. Support for SME Internationalisation

The Lower Austrian support measure for SME internationalisation is aimed at the strengthening of the regional economy through the support for measures that increase regional firms' access to international markets. Like many other measures it is sourced from the Lower Austrian Fund for the Economy and Tourism (Niederösterreichischer Wirtschafts- und Tourismusfonds).

By means of support for internationalisation activities in the business sector the larger objective behind the support measure is the intention to increase the competitiveness of individual firms as well as the regional economy, to increase the strategic and target group specific orientation of recipient firms; increase of the presence on and penetration of foreign markets, and to introduce specific products and services in a new international market.

SMEs that put efforts into opening up a new market or that conduct international projects with similar objectives are eligible for funding. This applies to firms from both the industrial as well as the service sector as long as a large share of their value added is generated and at least a subsidiary located in Lower Austria. The firms in question have to develop products with an above average technology orientation or to deliver high-quality services. Projects are eligible when they have relevance for the regional economy. Support is provided in the form of grants. Projects may only be applied for once and may not be mainly oriented towards the performance of already existing export activities. Projects are supported with up to 50% of eligible project cost up to a total of €20,000. Eligible project costs involve project-specific external services and external consultancy which would not normally be required by the firm. Likewise, the cost for participation in trade fairs can be covered as long as they

do not mainly concern the maintenance of existing business relationships. Trade fair projects are supported with up to 50% of eligible project cost up to a total of €5,000.

Lessons for the Western Balkans?

Until we have more systematic evidence, I am assuming that traditional manufacturing industries in the EU have sufficient characteristics in common with manufacturing industry in the Western Balkans to draw some indicative conclusions for policy makers.

1. Do not neglect traditional manufacturing industry; it has potential to be innovative and to create employment.
2. The innovation "model" for SMEs in traditional sectors is different and broader than in new, high-tech sectors. Accordingly:
    a. public policy instruments for promoting SME innovation in traditional sectors need to be broad and "demand-led"; and
    b. there is no single, "best practice" policy instrument for SMEs in traditional manufacturing industries, although innovation "vouchers" are emerging as an increasingly popular instrument.
3. Treat exporting as a type of innovation and, accordingly, design programmes to support them together; do not, therefore, fragment business support among separate institutions for "export promotion" and "innovation promotion".

Yet, while there is no need for policy makers in the Western Balkans to "reinvent the wheel" with respect to policy development, context is important. Differing contexts could lead to disappointment with the outcomes of programmes "copy-pasted" from the EU. Further research is needed to determine

1. the extent to which policy transfer is possible as well as
2. the corresponding extent to which modifications will be needed to account for local circumstances.

Such further research would include, but not be limited to:

1. comparison of the "innovation models" of SMEs in traditional manufacturing industries in the EU and of SMEs in the corresponding sectors in the Western Balkans;
2. identification of the obstacles to innovation by manufacturing SMEs in the Western Balkans;

3. identification of the best practice EU innovation support programmes most suitable for transfer to the Western Balkans, taking account in particular of successful policy transfer within the EU (e.g. the diffusion of voucher schemes across regions and countries);
4. investigation of the financial and institutional capacity of public authorities in the Western Balkans to deliver innovation support programmes (including those with a transnational element); and
5. identification of the development needs required to implement innovation support programmes for manufacturing SMEs in the countries of the Western Balkans.

Such a research agenda would also have to take account of factors that may be far more important in the Western Balkans than in the EU: for example, the potential of micro-finance, especially to support business start-ups and the development of micro businesses. In addition, there may well be potential for policy transfer in both directions: e.g. public policies to assist in restoring business links and innovative potential destroyed by war and ethnic conflicts in the Western Balkans could yield evidence relevant to promoting transnational collaborations within the EU.

Endnotes

[i] This paper accompanies a keynote address for the 2014 UACS 9th annual international conference on European integration: The Europe of Tomorrow: Creative, Digital, Integrated.

[ii] Following the conventional EU definitions by employment: micro, 1-9 employees; small, 10-49; and medium 50-249. See: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

[iii] This talk draws extensively from: René Wintjes, David Douglas, Jon Fairburn, Hugo Hollanders & Geoffrey Pugh (2014). Beyond product innovation; improving innovation policy support for SMEs in traditional industries. This is available from the website of the United Nations University and Maastricht Economic and Social Research institute on Innovation and Technology (MERIT): UNU-MERIT Working Paper Series, 2014-032: http://www.merit.unu.edu/publications/working-papers/?year_id=2014 In turn, this Working Paper derives from the GPrix project, commissioned by the European Commission, DG-Research FP7-SME-2009-1; Grant Number: 245459. The project research and corresponding policy recommendations are all described and available from the project website: http://www.gprix.eu/ (under the “Reports” tab). For the

extent and variety of innovation support programmes, see the GPrix homepage. Extensive discussion and definition of the concept of "traditional manufacturing industry" is provided in GPrix Deliverables 1.1 and 1.2 (2010a & 2010b). For the continued importance of traditional manufacturing industry in most EU regions, see GPrix Deliverable 2.2 (2012a).

[iv] According to *Innobarometer 2007*, a larger share of firms in traditional industries (34%) receive support for attending or participating in trade fairs or trade missions than of firms in other manufacturing industries (19%) or services (25%). (See http://www.gprix.eu/: D2.2 - Final report on Benchmark analysis of effectiveness of SME support measures in Europe, p. 30.)

[v] According to *Innobarometer 2007*, fewer firms in traditional industries (6%) receive direct support to finance R&D based innovation projects than firms in other manufacturing industries (10%) or services (8%). In the traditional industries direct support to finance R&D based innovation projects is used most in the food and automotive industries. Likewise, fewer firms in traditional industries (5%) receive tax reductions for R&D expenditures than do firms in other manufacturing industries (7%). (See http://www.gprix.eu/: D2.2 - Final report on Benchmark analysis of effectiveness of SME support measures in Europe, pp.24 and 28.)

[vi] Abridged from http://www.gprix.eu/: D2.2 - Final report on Benchmark analysis of effectiveness of SME support measures in Europe, pp.49-53 and 55.

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The Competitiveness of the European Union: Pre-crisis Trends and the Impact of the Financial Crisis

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Abstract

Over the past two decades, the European Union (EU) has been holding its position in the world market competing with the USA and Japan, as well as with new rivals such as China and India. However, even before the crisis, the growth in productivity had been slowing down and the internal and external balance was endangered by the different economic structures of the member states. The EU faced the serious challenges of losing world market positions due to a loss of competitiveness. This chapter aims to point out the risks of reducing EU competitiveness by analyzing the indicators of price and cost competitiveness, as well as the structural and technological aspects of competitiveness. Focus is placed on the influence of the world crisis on the competitiveness and export performances of the EU in order to show to what extent the global downturn may have aggravated previously existing needs for the readjustment of the functioning of the Union. Not only has the crisis demonstrated that the problems in the Union had been not created recently, but also that there were urgent demands for new and improved policies in order to regain the strength of competitiveness and performance. The reformulated strategy needs to be based on openness and innovation, with investment in research and development. Long-term expectations are to be made to comprehensive structural changes in order to overcome structural differences between individual Member States and to increase overall competitiveness. Additionally, trade barriers between individual Member States must be removed if higher individual and aggregate rates of economic growth are to be achieved. It is clear that the effects of a deeper integration of the EU have not yet been achieved, and any expected benefits may not be realized, if the internal and external balance of the Union is not maintained.

Keywords: competitiveness, trade, exchange rate, technology, productivity.

Introduction

Over the past two decades, the European Union (EU) has managed to hold its position in the world market, competing with the USA and Japan, as well as with new rivals such as China and India. But even before the crisis, the growth in productivity started slowing down and the EU was faced with the serious challenges of losing world market positions due to a loss of competitiveness.

There are many definitions of the term "competitiveness". Generally-speaking, an economy is competitive if it does things that are likely to encourage economic growth. The simple measure of economic growth is the value of gross domestic product (GDP). But, if a country is increasing its GDP that would not mean that the country's competitiveness has improved. For instance, if growth is based on natural resources and their favorable price developments, GDP will grow (GDP = quantity multiplied by prices), but the economy will not have significant improvements in competitiveness. In case, the reason for the dynamics and the quality of economic growth is determined from the level of labor productivity, then we can make a difference. In the macro economy it is widely accepted that the difference in labor productivity is the reason for the great differences in the level of economic growth in different countries in the world economy (Mankiw, 2010).

Krugman (1996) has claimed that the real essence of competitiveness is reflected in productivity. Still, many economists believe that not only the quantity of economic production is important, but also the standard of living of the people (Aiginger, 2004). Among other things, that would mean greater opportunities for education, a healthy lifestyle, or a rich cultural life. That can be measured by the second indicator of economic growth, and GDP per capita. The higher the GDP per capital means higher living standards of the population. Still, GDP per capita does not take into account the country's ability to distribute the gained wealth in a fair manner (it is calculated on an average level). Another weakness is that we can draw the wrong conclusions. For example if we have the same value of GDP, but decreasing growth rates of population, we will get a higher GDP per capita.

Some authors (Haiman & Altena, 2007) concentrate on links between competitiveness and trade (traditional theories). Popular discussion often views 'competitiveness' as a way of narrowing the current account deficit of the balance of payments. That can be measured by the growth of the export of the market share (participation of the total value of the export in the total

world export). The essence of this theory is compounded by an openness to trade tending to be associated with an openness to ideas. Especially for small economies, openness to trade should boost economic growth by increasing domestic competitive pressures (from imports) and allowing domestic producers access to wider markets and, in turn, economies of scale (from exports). Still these theories do not take into account the quality of the product or the service or the branding of products. In the long run, non-pricing factors (structural and technological aspects) such as: research and development, regulatory regimes and other aspects have a significant influence on the competitiveness of the products and of the economy.

Finally, if we summarized all the above mentioned views, the competitiveness of one country can be defined as the ability of that country to compete on the world market, with the ultimate goal of increasing the wealth of the country and the living standards of its people (Ottaviano at al., 2009).

The definition, according to traditional theories will be applied in the context of this chapter. In the first section, the trends in world trade and EU trade are analyzed, from the creation of the European Economic Community until 2010. In the second section, discussions about the indicators of competitiveness will take place. The approach towards EU competitiveness will be analyzed according to the traditional approaches that relate to successful export performance – either in terms of export growth or export market share and by the standard indicators of cost and price competitiveness. To determine price competitiveness, the real effective exchange rate is used. Cost competitiveness is analyzed by the ULC (unit labor costs) in the manufacturing sector and consumer price deflator in order to see the trend in the movement of the real effective exchange rate. Also, additional data from the Global Competitiveness Report (World Economic Forum, 2013) and the Europe 2020 Strategy will be integrated in the chapter so as to provide a multi-dimensional concept of competitiveness. In order to overcome the flaws in traditional theories in the third section, technological aspects and other aspects of the non-price competitiveness of the EU will be elaborated.

This chapter aims to point out the risks of lowering EU competitiveness. Focus is placed on the influence of the world crisis on the competitiveness and export performance of the EU in order to demonstrate to what extent the global downturn might have aggravated previously existing needs for any readjustment to the functioning of the Union. Not only does the crisis show that problems in the EU were not created recently, but we also ask

for the urgent need for a new and improved policy in order to regain the strength of competitiveness and performance.

The methodology used in this research is based on quantitative analysis. It will be presented in the form of time series analysis for the case of the EU, concerning the period 1958-2012, and for the indicators of competitiveness between 2000 and 2012 in order to point out the dependence among observations at different points in time. Core suppliers of the necessary data are: Euro stat, the International Monetary Fund and the UN Comtrade databases.

The expected outcome of this research is to summarize the main reasons that contribute to a fall in the world trade positions of the EU which will lead to conclusions about the future prospects of the EU and the need for a higher productive strategy.

Trends in World Trade and the Trade of the EU

Global external imbalances widened persistently over the last few years. International trade flows contracted sharply in the fourth quarter of 2008 and the first quarter of 2009 mainly due to a decline in economic activity and aggregate demand, which resulted in the beginning of the world economic crisis. The percentage decline of world trade in 2009 by comparison with 2008 was 22.73% (figure 1).

With regard to the regions, an exceptional decrease was noticed in the Commonwealth of Independent States (C.I.S) of 35.28% in 2009, while Asia had the lowest slowdown in the volume of trade of 18.6% on an annual basis. Still, the decline in trade has led to a high degree of synchronization across countries, as a result of the developed and closely connected financial market and transmission power of information technologies.

The downfall of the total trade of the EU was 23.62% in 2009 compared with 2008. The declining foreign demand in the wake of the 2008/09 global economic downturn hit the EU export sector particularly hard. This led to increasing concerns about prospects for EU exports and competitiveness, particularly at a time when exporters had already been struggling to adjust to the fiercer competition and other structural changes resulting from globalization. While partly reflecting the relatively high openness of the European economy, this has also prompted increasing concerns about the competitiveness of the Union.

Trends in exports and imports may serve to calculate the value of the current account of the European Union. The trade balance of the Union in the period under review had a mainly negative value. In other words, the value of imports was higher than the value of exports and had been worsening over the previous decade. Since 2002 the trade deficit had been widening, and it reached the highest negative value in 2008 (525.1 billion Euros). The recovery came in 2009, when the trade balance showed positive tendencies. According to the data from Euro stat, the EU only exerted a positive trade balance in the period 1993-1998 (figure 2).

So far, European policymakers seem to have been watching the growing imbalances without much concern, in the hope that the EU will be largely unaffected (Ahearne, Jürgen, 2005). Additionally, the trade account balance, as well as the current account balance has never constituted a condition for the acceptance of a single currency. Even in the Maastricht criteria for entry into the Euro zone, there are no restrictions on trade or current account deficits. Under Article 143 of the Treaty on the Functioning of the European Union, only countries - countries that have not yet adopted the euro may receive financial assistance to deal with problems in the balance of payments *(Treaty of the functioning of the European Union*).

The reason why the EU does not allow funding for the deficit in the trade account is because it is considered that no economy can be exposed to speculative attacks on the common currency. Therefore, deficits between countries that are already members of the Euro zone should be financed through short-term financial markets, without the need for intervention by the monetary authorities.

The problem is systematic. The trade deficit of the EU is a result of the countries that traditionally achieve a trade surplus (Luxembourg, Finland, the Netherlands and Germany) and countries with traditionally high deficits (Greece, Portugal and Spain). However, the deficit in the trade account of Greece, Portugal and Spain was balanced until the mid- 1990s. Obviously, the process of convergence of these countries in the monetary union impacted negatively on the country, resulting in a deepening deficit due to the process of adaptation to the EU. Just for example, the Spanish balance of trade increased in 2006 to approximately four times more compared with 1999 (Trading Economics database).

Interestingly, the crisis created cyclical movements in the trade balance of the EU countries. The countries that traditionally have a trade surplus, experienced a lowering of the trade balance, and vice versa for the

countries with a trade deficit. By approaching price and cost competitiveness this research will try to provide an answer to these problems.

Approaches to Price and Cost Competiveness in the EU

The competitiveness of the EU as the main global trade leader is achieved by the advantages of the existence of a common market. The EU is the world`s largest exporter with good positioning in the global value chain. Still, the common market of the EU is fragmented by the domestic producers that do not use the advantages of the economies of scale as a result of not having synchronized policies. With the beginning of the economic crisis, many of the structural weaknesses of the Union were revealed. As private demand remained resilient, and public expenditure increased the internal imbalance of the Union. Sluggish international demand and a poor economic outlook limited the potential for export.

The trends of export for the EU are moving almost in the same direction as the total trade of the EU. Export growth reached its peak in 2007 with 17% annual growth, and then experienced a decline in 2009 of 23%, compared with 2008. After a short recovery exports showed a 5% decrease in 2012 compared with the previous year.

According to the share of the export of the EU in terms of world exports, the relative indicator is slowing down (figure 3). With the exception of the period 1958-1960, the Union had the highest share in the value of world exports in the whole period under observation. In 1996, the EU had a 20.8% market share of world trade in goods (excluding intra-EU). This market share has been lowered by competitive pressures from the emerging economies, falling to 16% in 2010. The second largest world exporter was the USA, whose share has been declining gradually since 2000. The most remarkable development is that of China as the fastest growing economy from 2005 onwards to become the third largest exporter in the world, followed by Japan as the fourth largest world exporter. Thus, if we make a comparison, we can see that the rise in the export share of China for 10 p.p. from 1996 to 2010, has been fairly affected by the EU (fall of 4.8 p.p.), USA (fall of 4.6 p.p.) and Japan (fall of 3.7 p.p.) over the same period.

The EU's export performance varies significantly between markets. The EU shows a decrease in market shares on some of the most dynamic importing markets during the last decade. The largest gain is in the United States market, where the EU accounted for over one fifth of the import market in 2007. This

performance coincided with shrinking shares of Japanese and to a lesser extent, of Canadian and ASEAN exports in the same market. Conversely, the EU lost market shares on the BRICs markets. The small market share loss of EU products on the rapidly expanding Chinese market could, however, have a large impact in the long run.

This appears to be mainly associated with unfavorable trends in the price competitiveness of the EU. Measured in terms of relative export prices, the European Central Bank estimates that euro area price competitiveness deteriorated by around 10% between 1999 and 2008 (ECB, 2010).

The decrease in price competitiveness has been confirmed by movements of the nominal effective exchange rate, given in figure 4. An increase of this indicator suggests an appreciation, which indicated a lowering of price competitiveness. The appreciation of the exchange rate was from 2002 to 2009, after it experienced a depreciation until 2012. The figure shows that the Euro zone has lower price competitiveness compared with the EU as an economy of 27 member countries (not taking into consideration Croatia, because of the lack of data since its entry into the EU in 2013).

Still, price competitiveness differs from country to country. High price competitiveness is achieved for Germany, France, Austria and Finland. Losses in price competitiveness are recorded in most of the countries - where at the same time, Estonia. Malta, Cyprus, Greece experienced a decline in exports.

The losses in market shares have coincided with a degradation of cost competitiveness, measured by unit labor costs (ULC). The rise in the real effective exchange rate indicates a lowering of cost competitiveness. We consider that the increased ULC both in the EU and the euro area, is most likely a consequence of the strong growth of real wages since 2002 in most of the countries of the European Union (figure 6).

Despite intensive wage growth which was a long term trend, during the whole period from 2002-2011, the peripheral member states registered a high unemployment rate, which indicates low wage sensitivity to movements of unemployment (figure 6). Additionally the cyclical effect of the crisis caused losses in labor productivity, meaning a faster decline of output relative to employment during the slump. Between the first quarters of 2008 and 2009, production decreased by 19% while hours worked fell by 8% (European Commission, 2013).

Therefore, as a result of the insufficient achievements in labor productivity, despite the introduction of new technologies and good business practices, economic growth in the Union was slowing down. In other words the

EU is not an optimal currency area, except the lack of wage flexibility, the EU does not have convergence in business cycles, and has low mobility of labor force and capital. In this regard, it can be concluded that in the event of an economic shock, when there is no flexible foreign exchange regime and an autonomous monetary policy in the member states, labor mobility or wage flexibility cannot recover the differences among the economies in the Monetary Union (Trpeski, Kondratenko, Jankoski, 2013).

Therefore there is limited potential growth of national spillovers. This argument is supported by the Regional Competitiveness Index (RCI) calculated by the European Commission, which measures the different dimensions of competitiveness at a regional level in the EU countries. RCI reveals substantial differences in competitiveness within some countries. In France, Spain, the United Kingdom, the Slovak Republic, Romania, Sweden and Greece the level of variability across regions is particularly high. As a result, a large gap in regional competitiveness is harmful for national competitiveness and consequently for the Union as a whole (The World Economic Forum, 2014).

Non-price Competitiveness

Whilst for most EU countries price competitiveness has been a critical factor in the shaping of relative export performance with respect to major direct competitors – most notably developed economies – other non price-related factors play a part. Generally, non-price competitiveness comprises the structural and technological aspects of competitiveness. In this context, factors such as research and innovation, infrastructures, as well as the regulatory and tax frameworks of a country, are critical because they affect the prospects of achieving higher productivity growth and thus competitiveness in the medium and longer term (ECB, 2010).

The European Competitiveness Report (2013) shows that the EU has comparative advantages in most manufacturing sectors (15 out of 23) accounting for about three quarters of EU manufacturing output. They include vital high-tech and medium-high-tech sectors such as pharmaceuticals, chemicals, vehicles, machinery, and other transport equipment (which includes aerospace). In the high tech sectors, the EU has a comparative advantage in pharmaceuticals but lags behind in the rest of this broad category (computers, electronics, and optical equipment). Even in the medium high-tech sectors, the EU comparative advantage is lower than for the US and Japan. More importantly, China and the other emerging industrial economies are quickly

gaining ground in the knowledge intensive sectors and rather than merely assembling high-technology products they are now producing them. Even though the data in table 1 confirms that China is a leader in high tech industries, this is, as yet unreliable data. It is a result of the offshore activities of the USA and EU for low cost production.

The type of specialization of the countries can explain the cyclical movements in the trade balance. Since, there is a difference between the elasticity of different categories of goods and services, trade in services, with the exception of transport, declined with less dynamics than trade in goods. Industries that are generally sensitive to the business cycle, such as industries that produce durable goods (raw materials and heavy equipment) suffered the most. Contrary to these trends, the trade of traditional "un cyclical" sectors, such as food, beverages and pharmaceutical products, was far more resilient.

Consequently, countries that entered the global economic crisis with large trade deficits had a significant improvement in the condition of the trade account in the period 2008 to 2010. Countries that had substantial trade surpluses had noted a lowering of the positive balance in trade. This suggests that the decline in trade surplus of the countries that traditionally generate a positive trade balance (Germany, France, Austria, Belgium and Netherland) is due to the elasticity of the world demand for capital intensive products and investment goods, in which these countries are highly specialized. Conversely, countries with trade deficits (Greece, Spain, Cyprus, Slovenia and Finland) that have high specializations in consumer goods, had slightly reduced exports due to a global "un elasticity" demand (Mauro, Foster, Lima, 2010).

These developments are cyclical; in other words, they are occurring due to the impact of the economic cycle in which the world economy finds itself. Thus, after the crisis, current trends in the trade balance will be present again. Consequently, the existence of the different economic structures of member countries is a systemic problem for the European Union. Although it can be equated with the global imbalance, there is a significant difference. Globally, adjustments are achieved through exchange rate movements, while within the monetary union (such as the EU) that must be achieved through fiscal adjustment and the coordination of policies within the member countries (Mrak, 2010).

We believe that the decreased labor productivity of the Union is important and influenced negatively not only for prices, but also for non-price competitiveness. Labor productivity, and especially multi-factor productivity, is often seen as being an indicator of technical progress. Increased labor

productivity means more output is produced with less labor, which can be due to technological or organizational improvements and other non-observable factors.

Reasons behind the Loss of EU Competitiveness

In order to explain why European growth came down from the extraordinary levels it reached during the Golden Age (1950-1973), and most importantly the technological lagging of the EU behind the USA we will compare the indicators of labor productivity and labor input between the EU and the USA.

According to the numbers in table 2, the problem is ascribed entirely to a relative fall in labor input (from index of 115,2 in 1950 to 76,2 in 1995 and 82,2 in 2004 compared with the USA). The reason for this is:

a) the ratio of population in employment to the population of working age, which is higher in the USA at 74% (OECD database) compared with the EU at 68% (Euro stat database). The data shows that the employment rate (age group 20-64) is still below the objectives set in "Europe 2020" of 75% of the population.

b) The structure of the working population has aged considerably in recent decades. Between 1960 and 2000, the average dependency ratio (defined as the number of persons aged 60 or more years per 100 persons aged 15-59 years) for the EU-15 this rose from 26 to 35. At the same time, the dependency ratio for the United States remained almost constant at around 25. During the period 1995-2015, the population above the standard retirement age, 65 years, will increase by 17 million (30%). Within this group the very old, those over 80, will increase by 5.5 million or 39% (Blanchard, 2004).

c) The fall of the utilization rate of labor in Europe compared with the USA which is a result of the sustainable preference for leisure due to higher social protection for the workers and also by the labor rigidness of the European market.

Taking into consideration that the average hours worked are much shorter in the EU and that the employment rate is much lower compared with the USA, we can get an artificially boosted indicator of productivity. As the data show productivity in the EU did not decrease, just the opposite. The GDP index per working hour increase from 75.4 in 1975 to 98.3 in 1995. Then decreased to 90.3 in 2004, but still remained below the USA (index=100) (table

2). This indicator should be revised in order to compare the real productivity gap between the EU and the USA. According to Cette (2004), the European productivity level should be revised downwards, which suggest that the productivity gap between EU and USA remains substantial.

The main turning point for widening the productivity gap is considered to have been in 1995. Taking into account indicators of annual productivity growth, in the USA, average annual labor productivity growth accelerated from 1.2 percent during the period 1973–95 to 2.3 percent during 1995–2006. Comparing the same two time periods, annual labor productivity growth in the European Union declined from 2.4 to 1.5 percent (Ark, O'Mahony, Timmer, 2008). In the mid-1990s, there was a burst of higher productivity in industries producing information and communications technology equipment (ICT), and a capital-deepening effect from investing in information and communications technology assets across the economy. In turn, these changes were driven by the rapid pace of innovation in information and communications technologies, fuelled by the precipitous and continuing fall in semiconductor prices. Europe has been lagging behind the USA not only in ICT investment but also in total productivity growth in ICT producing as well as ICT - using industries.

Practically, the period of the two oil crises 1973-74 and 1978-79 marked the end of the fast growing industries such as the chemical and automotive industries, the production of plastics and artificial fibers, which had been the main driving force of economic growth in the postwar period. For thirty years, between 1950 and 1973 Europe enjoyed a "Golden age" of growth, stability and social cohesion.

All industries were replaced by new industrial sectors with high added value, such as electronics, chemicals and pharmaceuticals, computer technology and telecommunications. Although newly industrialized economies-Japan and the "tiger economies" of Southeast Asia, at that time were trying to increase the competitiveness of these industries, especially in electronics, still in the areas of information technology products and bio pharmaceutical products the USA maintained a big competitive advantage (Dyker, 1999).

Also, the EU is lagging in its investment in research and development (R&D). According to the objectives set out by the European Commission (2010a), "Europe 2020", each EU member state should consider the costs for R&D as amounting to 3 % of their national GDP (the same as in the Lisbon strategy). In the period 1995 - 2010, the cost of R&D calculated as a

percentage of GDP in the EU and the euro area is relatively fixed, and moving with an average value of 1.8 % of GDP, which is below the set limit.

The EU and euro area have only a higher spending rate on R&D than China. Within the EU, only Sweden and Finland have 3.7 % exceeding the target. Other countries that have a higher than average rate in the Union are: Germany (2.69 %) and Denmark (2.85 %). In 2008, Japan had the highest percentage of allocation of 3.45 %, followed by South Korea with 3.36 % and 2.76 % in the USA. South Korea has witnessed a rise in costs during the reporting period.

It seems that the Lisbon strategy for making the EU the world's most competitive economy has been a failure. Still, an extension of the failed approach lies in its works. After the Lisbon strategy, the Europe 2020 strategy has emerged with some principle tasks, whilst central ideas of the Lisbon Strategy have been kept. The Lisbon answer has been the "open method of coordination". It was to aim at the middle ground, where key policy domains remain in the realms of national competence but are recognized as being of common interest. The EU continues with the Lisbon-type reforms and has developed new instruments of economic governance, especially with the beginning of the economic crisis.

Some authors, such as Wyplosz (2010) state that the Lisbon strategy should die a peaceful death, and that a brand new model is needed. We believe that the model is adequate, even though there is no explicit growth in the productivity targets formulated in the Europe 2020 strategy, but trends in labor productivity are monitored as one of its main indicators. The countries of the EU need to find their own ways of adjusting to the opportunities and dislocations of new information and communications technologies. We believe that the large extent of reforms should remain within the authority of the member states, which could bring a higher incentive for its implementation, thereby contributing to accomplishing a common interest. When one country becomes more productive, it benefits (through demand) the whole of the EU and raises the productivity of the rest of the countries. There also needs to be ensured a greater labor mobility and flexibility of the common market that can help the Union to improve its competitiveness and also to be able to face adverse shocks in the future much more easily.

Conclusion

Data for the foreign trade of the EU shows that the integration process and the introduction of the euro contributed to the Union becoming the biggest "trade player" in the world. However, there has been a gradual fall in the trading position of the EU. That is not only a result of the economic crisis, but due to the major structural weaknesses (shortcomings) of the EU. In other words, the situation in the foreign account is created due to the gap in productivity, which led to a real depreciation of the exchange rate in favor of countries that have traditionally been exercising surplus. At the same time, most of the other Member States of the EU realized a permanent foreign trade deficit that, among other things, was a result of the large discrepancy between labor productivity and wages, whose ultimate effect was perceived in the shrinking or stagnant rates of economic growth of these countries.

It turned out that the economy of the EU has a series of structural inconsistencies and numerous drawbacks in its economic system. The lack of compliance of internal policies was one of the most important reasons for the occurrence of asymmetric shocks in the Union, reducing the competitiveness of the EU economy and the strengthening of the negative effects from the existing economic crisis.

Among the Member States of the EU a gap in prices for homogenous products was created. Even though, the purpose of the single market was to allow free movement of goods, service, capital and labor, the goal was not met due to different price levels. The difference in prices and production costs has caused a negative impact on trade flows in the Union. The EU shows a decrease in market shares on some of the most dynamic importing markets during the last decade, especially the ASEAN market. The orientation of trade towards the emerging countries can be a suggestion for the rest of the member states for a faster, out of the crisis and balanced trade account in the future.

But on the other hand it is necessary to boost trade relations between the EU countries in order to gain and improve trade conditions in the Common Market. Long-term expectations and the needs of the Common Market to make comprehensive structural changes in order to overcome structural differences between individual member states and to increase overall competitiveness are needed. Also, it is necessary to remove trade barriers between individual member states and to achieve higher individual and aggregate rates of economic growth. It is clear, therefore, that the effects of a

deeper integration of the EU have not yet been achieved, and any expected benefits may not be truly realized, if the internal and external balance of the Union is not achieved.

In our opinion, the EU needs changes in the long term strategy which should be oriented towards targeting specific systematic problems of individual member states of the EU. Reforms need to be made in order to enhance competitiveness, which is seen as being a priority. When one country becomes more productive, it benefits (through demand) the whole of the EU and raises the productivity of the rest of the EU countries. Even though the relationship between labor productivity and market share gain is not straightforward, we tried to point out that decreased labor productivity growth in the case of the EU has an influence on the declining share of the world market. Firms and industries from the EU are facing tough competition from low-cost producers (especially from the Asian countries) and therefore they are forced to rationalize their production in order to survive. In that direction, measures need to be oriented towards a decrease in employees` protection and a higher initiative for regional mobility of the labor force.

Additionally, if the competitiveness of the Union is not improved, the balance in the trade account will be provided by increased unemployment, particularly in certain sectors which are uncompetitive. That would mean the risk of structural unemployment, in other words a more emphatic social crisis that could turn into a political crisis.

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Table 1
Comparative advantage by technology intensities in manufacturing, 2011

	High tech	Medium high tech	Medium low tech	Low tech
EU	0,85	1,14	0,89	1,01
Japan	0,73	1,59	0,86	0,16
USA	0,88	1,22	0,96	0,68
Brazil	0,32	0,76	0,87	2,5
China	1,56	0,72	0,85	1,29
India	0,4	0,49	1,93	1,33
Russia	0,08	0,45	2,74	0,49

Source: UN Comtrade UN comtrade database (http://comtrade.un.org/).

Table 2
Levels of EU-15 relative to the USA, in PPP, (USA=100)
Source: Ark, van B., O'Mahony, M., & Timmer, P. M. (2008).

	1950	1973	1995	2004
GDP per capita	45,5	76,8	74,9	74,1
GDP per working hour (labor productivity)	39,5	75,4	98,3	90,3
Working hours per head of population (labor input)	115,2	101,9	76,2	82,1

Figure 1
Annual growing rates of the world trade by region and selected economies (%)
Source: World Trade Organization. (2014). Short term statistics.

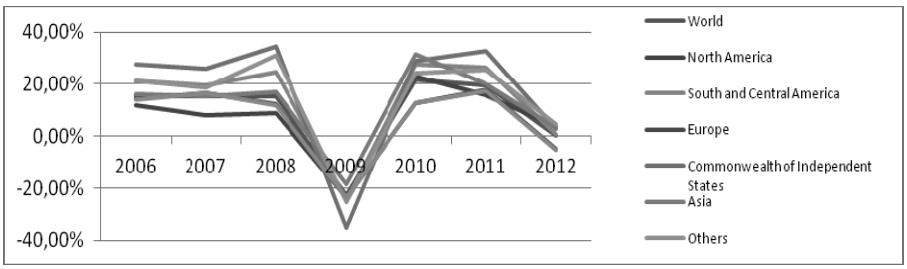
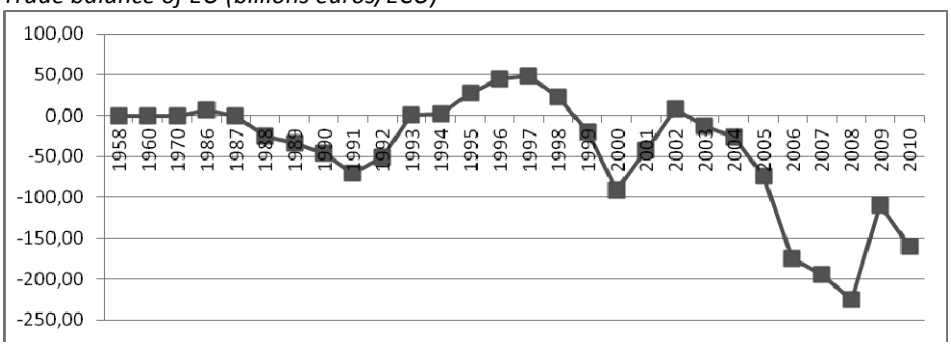
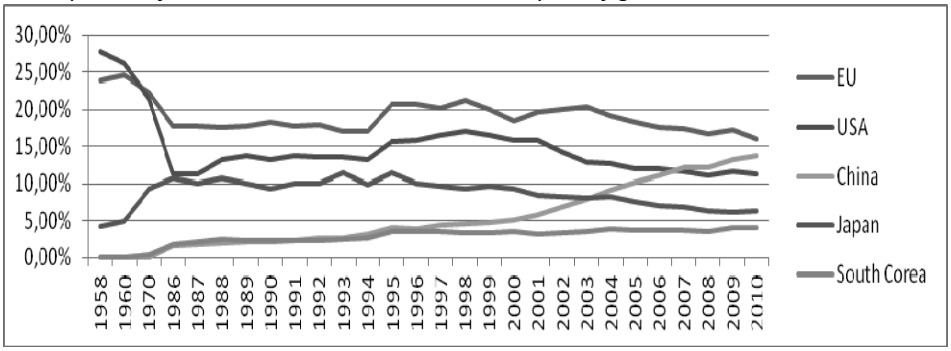


Figure 2
Trade balance of EU (billions euros/ECU)



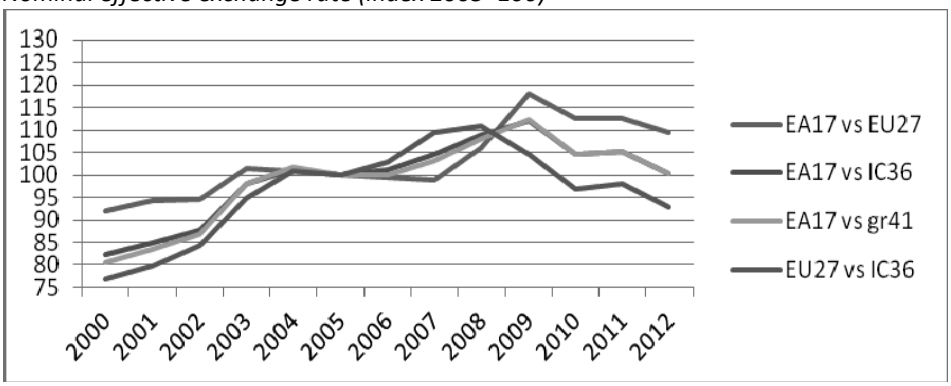
Source: Eurostat. (2011). External and intra-EU trade: A statistical yearbook, data 1958 – 2010 [statistics].

Figure 3
Participation of the countries in the total world export of goods



Source: Eurostat. (2011). External and intra-EU trade: A statistical yearbook, data 1958 – 2010 [statistics].
*the data cannot be consistent on the yearly intervals because of the lack of data

Figure 4
Nominal effective exchange rate (index 2005=100)



Source: European Commission official web site.

* IC 36 = group of 36 industrial countries
gr 41 = a larger group of 41 countries (the 36 industrial countries, Russia, China, Brazil, Hong Kong and Korea).

Figure 5
Real effective exchange rate (ULC) (index 2005=100)
Source: European Commission official web site.

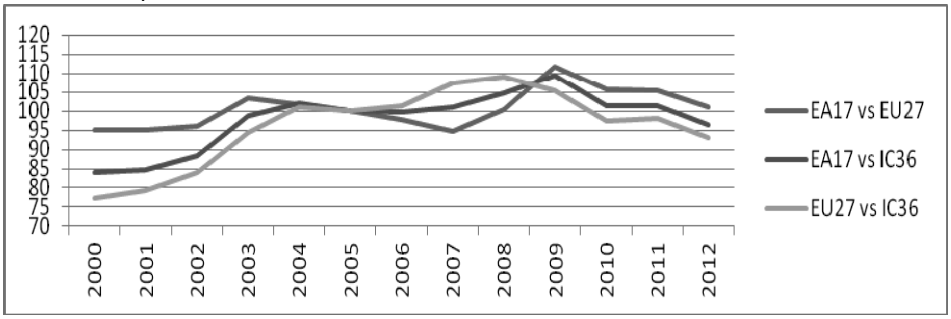
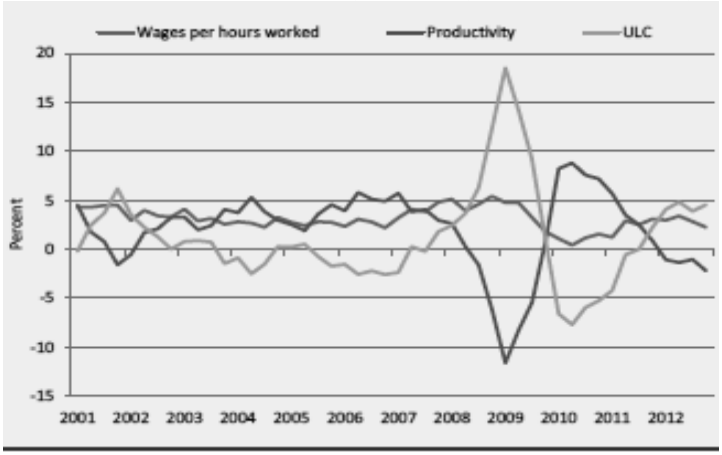


Figure 6
Fluctuations in EU ULC are mainly caused by variations in labor productivity growth



Source: European Commission. (2013). European competitiveness report 2013: Toward knowledge driven reindustrialization.

Does the Adoption of International Financial Reporting Standards Provide Commensurate Benefits to Prospective European Union Countries?

Jadranka Mrsik, Ninko Kostovski

Abstract

The common set of reporting standards allows for a unified business language when reporting on the financial status of businesses. Standards help to raise the quality of information and the comparability of financial statements. The understanding of financial statements is particularly important for the economies of prospective European Union countries, especially the smaller ones, because their growth is so dependent on the free movement of capital and extensive foreign direct investments. Researchers stress that even though the International Financial Reporting Standards (IFRS) are adopted by most of the developing countries, their business characteristics could limit their ability to accomplish expected benefits. Formal adoption does not necessarily lead towards unimpeded implementation. This chapter presents the perceptions of Macedonian managers about IFRS acceptance. First, we survey, a representative sample of Chief Financial Officers from companies listed on the Macedonian stock exchange, and executives and analysts in investment and pension funds. Next, we compare the findings with the results of the similar survey presented in the Association of Chartered Certified Accountants Reports 2011, on the attitudes of their counterparts in America, Europe, the Middle East and Asia. Finally, we offer recommendations on the further implementation of standards in the prospective European Union countries, which in turn will help their inclusion into the overall economic, social and cultural trends of the Union.

Keywords: Financial reporting, International Financial Reporting Standards, small economies, Global Financial Reporting Standards.

Introduction

The adoption of international accounting standards for Europe is the most revolutionary development in the field of financial reporting, since the invention of double entry accounting by Luka Pacioli, in 1494. It will enable the same accounting language across Europe and according to Hoogendoorn (2006), it make all financial statements fully comparable, all to the greater benefit of investors. International Financial Reporting Standards (IFRS) are implemented in all countries of the European Economic Area, which is comprised of the EU plus Iceland, Liechtenstein and Norway. They have also been introduced into approximately 120 other countries across the world, and definitely are or will have to be introduced into all the EU candidate countries. Consequently, the EU is currently the main promoter of the unification of accounting standards internationally. One of the major expectations from the Lisbon Treaty, which was signed in 2007 and entered into force in December 2009, was the improved coherence of the EU and its actions. It is expected that the Lisbon Treaty will bring in more checks and balances into the EU system and greater powers for the European Parliament. The need for common and mutually comparative financial reporting between member states was obvious, and the International Financial Reporting Standards have provided a practical set of instruments for achieving these goals.

The acceptance of international accounting standards is particularly important for developing countries and the so-called emerging economies. Their economies are open to the external influence and they are dependent on foreign investment and financing, which means that the introduction of accounting standards in these countries provides the important preconditions for attracting foreign investors. Accounting standards relate to both sides of businesses: they provide financial information for both the executives of the enterprises and for their investors. The existence of implemented Standards facilitates institutional and individual foreign investors significantly. Bearing all that in mind, in 2005, the Republic of Macedonia published the International Standards and made them compulsory for all large businesses listed on the national Stock Exchange, and their annual reports are subject to consolidation, including Macedonian banks and insurance companies (Vasileva 2011). Since 2012, even the micro companies and small businesses have to keep accounting in accordance with the relevant International Standards. According to Vasileva (2011), the introduction of international standards for small entities enables the preparation of good quality financial reports, reduces the number of errors

and limits the number of opportunities for fraud in this important segment of the national economy. In addition, these standards will improve the comparability of the financial statements of small businesses, thereby making their access to capital easier and less costly.

Literature Review

In their research on a sample of 1,547 firms from 15 European Union countries, Zeghal et al. (2012) have found that the mandatory adoption of IFRS results in reduced accounting earnings management. A longitudinal study (Li, 2010) of the effects of the mandatory adoption of International Financial Reporting Standards in the European Union on a sample of 1,084 firms, during 1995 - 2006, provided evidence that the cost of equity lowered on average for 0.47 %. According to Ball (2006), enhanced transparency could increase the efficiency of contracting between firms and their managers, reduce agency costs between managers and shareholders, and enhance corporate governance with potential gains for investors arising from managers acting more in the investors' interest. Others indicate that the introduction of IFRS has an influence that is more positive for the debt, rather than for the equity market (Beneish et al., 2012). Brüggemann et al. (2009) report an increase in trading activity on the open market at the Frankfurt Stock Exchange following the adoption of IFRS. There are studies that point out the benefits of the improved comparability of the financial statements, when IFRS are in use, on cross - border investments. For example, Louis and Urcan (2012) provide evidence that IFRS lead to a significant increase in cross-border acquisitions of publicly traded companies. In an analysis of mutual fund holdings, Yu (2010) concludes that the adoption of IFRS increases cross-border holdings by reducing the information processing costs of foreign investors, through improving the comparability of financial information and indirectly by lowering other barriers such as geographic distance.

Flourou and Pope (2011) report increases in ownership and consequently show that IFRS affect the allocation decisions of institutional investors. The other authors suggest that high quality financial statement information assists analysts (Lang and Lundholm 1996). Bae et al. (2008) and research on foreign firms suggests that they benefit when the accounting standards in the various countries they operate in are closer to the international standards. Horton et al. (2012) conclude that IFRS improved the

information environment by increasing the quality of information provided and comparability and accuracy in the forecasting of earnings.

On the other hand, there have been research publications which have called for a word of caution when drawing immediate conclusions. DeFond et al. (2011) find that US mutual fund ownership increases for mandatory adopters, but only when the adoption is seen as 'credible'. Daske et al. (2009) indicate that the way standards are implemented is crucial for realising the benefits from the implementation of IFRS. There are many who stress that the benefits of common standards cannot be achieved by standards alone and that, in many countries, the proclaimed adoption of the Standards is merely on paper and has not been put into practice.

Chen at al. (2010) stress that studies on the effect of International Financial Reporting Standards on the quality of accounting often have difficulties in the control of other factors of accounting quality that have not changed. As a result, the observed changes in the quality of accounting could not be entirely attributed to their introduction. Nevertheless, Cheng and his associates compared the accounting quality of publicly listed companies in 15 member states of the EU, before and after the adoption of standards and measured the quality of accounting in terms of five proxies. The results clearly proved that there had been an improvement in the quality of accounting in terms of less managed earnings toward a target, a lower magnitude of absolute discretionary accruals and higher quality in accruals. However, the results also show that the firms were more prone to engage in smoothing out earnings and in recognizing large losses in a less timely manner, after the introduction of Standards. Cheng and his colleagues believe that the better quality of accounting was attributable to the Standards, rather than to changes in managerial incentives, institutional features of capital markets or the favourable environment for business or to any other similar factor, that could also lead to an improved quality in accounting.

The Study

The study we conducted addressed the attitudes of financial managers from a range of industries in the Republic of Macedonia and the analysts and executives on the side of the institutional investors in the country. In addition to our demography and the questions we were interested in, we used questions from the ACCA (2011) questionnaire in order to provide comparability of our results with their survey. Throughout March 2014 we sent

out 47 questionnaires, 32 to CFOs of listed companies on the Macedonian stock exchange and 15 to investors. We received 27 replies, fourteen from the CFO community and thirteen from the investors. Bearing in mind that the population of the CFOs is large enough and that the responses collected from the side of the institutional investors practically covered all of them; we can conclude that the results can be treated as a fair representation of the attitudes of both targeted populations.

For a better understanding of the results, we will first present some basic data about the Macedonian economy, its financial sector and the investors' community. The Republic of Macedonia, with 10,500 dollars GDP per capita is a developing country that managed to "achieve sustained economic growth" and thanks to a prudent monetary policy, enjoys a relatively high reputation in international financial circles as recognized by its debt rating against its investment grade. The first investment fund was established in 2007, and is now only eleventh in total and managed by only five private investment companies. The biggest institutional investors on the domestic securities market are the two pension funds with a net asset value of Euro 435,8 million in 2013 (MAPAS, 2014). Macedonia is dependent on close banking and economic links with the developed parts of Europe, and thus it is essential to integrate quickly into the global flows of goods, services and capital.

The structure of the Macedonian business sector is similar to that of the entire EU, in terms that the majority of the business entities are small. Thus, the share of SMEs is 99.8 % of all enterprises, and it is almost identical with the EU average, although in the case of Macedonia there are more micro-enterprises and less small businesses. However, based on the other criteria for the development of the International Monetary Fund, the country has an insufficient variety of exports and lacks any integration of its capital and financial markets with the global markets. The Republic of Macedonia is very much dependent on close banking and economic links with developed parts of Europe, and thus it is essential to integrate rapidly into global flows of goods, services and capital. One of the most important requirements for accomplishing this is the implementation of International Accounting Standards.

In 2005, the Republic of Macedonia published the International Standards and made them compulsory for all large businesses listed on the national Stock Exchange and their annual reports are subject to consolidation, including the banks and insurance companies (Vasileva, 2011). In addition, since 2012 even the micro companies and the small businesses have to keep

accounting in accordance with the related International Standards. The adoption of these standards will improve the comparability of the financial statements of small entities by comparison with those from other countries, making any access to loans and to capital from private and institutional investors easier, with less capital costs. According to Vasileva, the introduction of the international standards for small entities enables the preparation of quality financial reports, reduces the number of errors and limits opportunities for fraud in this important segment of the national economy.

Foreign investments in Macedonia are the smallest when compared with other countries of South Eastern Europe. Moreover, they remained modest even after the accounting standards had been implemented. Furthermore, the data for Macedonia does not prove that the comparability of the financial statement with the IFRS significantly attracts cross-border mergers and acquisitions. The trading volume after its overgrowth in 2007 as a result of the global stock exchanges boom, plummeted similarly as in the case of other comparable countries, and this is demonstrated in Table 4.

The difficulties in the process of establishing public accounting services as an independent profession; the still rudimentary licensing process and the lack of spontaneous standards set within the profession calls for state interference in these domains that otherwise should be internally driven within the profession. These facts indicate that, maybe not as pervasive as in some other ex-communist countries in the region, the afore-mentioned formal approach to IFRS standards and the culture might be present at least in some isolated cases, even in the Republic of Macedonia, particularly as a result of it being a relatively underdeveloped financial sector.

The Results of the Research

On the question does the compliance with IFRS outweigh the cost of the implementation, 28.6% of CFOs and 23.1% of investors in Macedonia believe that the answer is 'yes', which is less than in the ACCA survey (39% of CFOs and 31% of the Investors). Such results indicate a potentially lower familiarity with IFRS and a greater resistance of Macedonian respondents, financial managers and investors.

In terms of assessing how the international accounting standards affect their business abroad, most respondents in our study (93% of CFOs and 54% of investors) believe that the effects are favourable; none claim that the effects are unfavourable; and the rest claimed that there is no direct effect. On the side of

the ACCA these numbers are 52%, 6% and 42% in the case of CFOs and 55%, 9% and 33%, in the case of investors. This result might be explained partly by the fact that our businessmen trade in the region with accounting standards that have not been properly introduced, and that any step forwards in these terms significantly improves their business environment abroad. The percentage of positive answers in the case of investors could be explained similarly by the fact that the financial market even in this region is highly regulated ever since its inception.

Otherwise, 71.4% of Macedonian CFOs think that the impact of the IFRS on a firm's access to capital would have both positive and very positive effects. This number in the ACCA survey is 39%. This very affirmative attitude of our financial managers towards this issue is not quite in line with the low volume of foreign investments and trading in general on the local stock exchange. However, it can be explained, at least partly, by the fact that our companies are focused on bank loans, where the full compliance of the reports presented to the bank is a common requirement. On the other hand Macedonian investors (53.4%) are much closer than their peers in the ACCA study (49%).

It is interesting to note the opinion that Macedonian managers share about international auditing standards. Among the CFOs surveyed in the ACCA study, none of them responded that the International Auditing Standards would influence the quality or the cost of the auditing process in their companies, while in the case of Macedonian managers, this opinion is shared among a high 64.3% with 28.6% of them answering that the benefits would be very substantial. This attitude of the CFOs in the case of Macedonia could be explained, partly, by the very negative experience that they have with low standards of the local providers of auditing services and partly by overoptimistic expectations from the IAS.

Macedonian CFOs are also very optimistic regarding the development of global standards in the area on environmental risk management. About 79% of them believe that this standard will significantly improve this area of corporate social responsibility, and the public image and reputation of their companies. Macedonian investors in 69.2% of cases, think that the impact of global standards in this area will improve the reputation of companies, compared with the 60% who think the same in the ACCA survey.

Macedonian CFOs in 50 % of cases also consider that global standards of reporting integration of the issues of the management of the environmental risks in annual reporting will improve the overall reporting and 21% of them believe that they will improve the decision making. Their colleagues on the

side of the investor community, at 85% think similarly and are close to their counterparts in the ACCA who in 77% of the cases answered similarly.

The Survey we performed among the Macedonian professional investors and issuers demonstrates their broadly positive attitude towards the IFRS benefits. They share similar opinions with their counterparties in developed countries as presented in the ACCA Report. This survey emphasises their support for global standards in the domain of financial reporting, auditing and the integration of the financial aspects of operations with how companies manage their own environmental risks. They see clear benefits from the International Standards of Auditing in terms of quality and cost. They, more than their foreign counterparts, believe in the positive impact of IFRS on their businesses and only a few of them do not support any integrated reporting of financial and non-financial information. They are more conservative regarding the cost effectiveness of the introduction of IFRS standards in their accounting systems. However, it is understandable, bearing in mind that our companies are small and that the fixed costs of the process of implementation, software, training and so on, are quite considerable.

Conclusions and Recommendations

The preparation of financial statements in accordance with the international accounting standards represents the main pillar in the standardization of accounting reports. Their application helps bridging the communication barriers in accounting, raising the level of accounting information and opening the way for a freer exchange of information and data on financial markets. The protection of investors, maintaining confidence in the financial markets, strengthening the freedom of movement of capital and helping companies to compete, on an equal footing, for financial resources, are just a few of the overall advantages provided by the use of the International Accounting Standards.

The Republic of Macedonia accepted and published interpretations of the International Financial Reporting Standards, back in 2005. All large or medium-sized companies, all banks or insurers, all entities listed on the Stock Exchange and all others, whose financial statements are subject to consolidation, are obliged to prepare and to submit their financial statements in accordance with the International Accounting Standards. Only the organized fostering of an awareness of the benefits of good financial reporting, may gradually lead to an increased confidence in financial reporting in Macedonia,

an improved knowledge of financial reporting and the wider potential base for investments in Macedonia.

Based on the Survey of the perceptions of International Accounting Standards, carried out among managers in the country, several recommendations can be offered: (1) The country should continue with awareness raising activities among all stakeholders about the importance of the improvement of the quality of financial reporting. Financial reporting in accordance with the IFRS should be published in at least one of the world languages which would contribute to better transparency and ultimately drive more foreign portfolio investments into the country. (2) To further strengthen the professional education and the training of current and prospective accountants in issues beyond the technical aspects and involving strategic management and good corporate governance issues. The state might consider matching funds to foster the lifelong training of local accountants, particularly if it would be offered in some auditing and consulting in big four partnerships in countries with developed financial markets, and (3) to explore how the country can help companies and investors to overcome the fixed costs of compliance to the various global standards.

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Tables

Table 1 SME in Macedonia in 2011

Type	Number	Share		Employed	Share	
		MK	EU27		MK	EU27
Micro	71.794	95.4	92. 2	121.998	44.80	29. 7
Small	2.850	3.8	6. 5	55.059	20.20	20. 6
Medium	493	0. 7	1. 1	44.266	16.20	17. 2
SME in total	75.139	99.9	99. 8	221.323	81. 2	67. 5
Large	88	0. 1	0. 2	51.092	18.8	32. 5
TOTAL	75.227	100. 0	100. 0	272.415	100. 0	100. 0

Source: SBA Factsheet 2013 - European Commission

Table 2 FDI Flows in South-East Europe, 2006-2011 (Millions of Dollars)

Country	2006	2007	2008	2009	2010	2011
Serbia	4. 256	3. 439	2,955	1. 959	1. 329	2. 709
Croatia	3. 468	4. 997	6,180	3,355	394	1,494
Albania	324	659	974	996	1. 051	1. 031
Montenegro	622	934	960	1. 527	760	558
BIH	555	1. 819	1. 002	251	230	435
Macedonia	433	693	586	201	211	422
Total	9,658	12,541	12,657	8,289	3. ,74	6,650

Adapted from: UNCTAD, World Investment Report 2012

Table 3 Cross-border M&A in South-East Europe (Millions of dollars)

Country	2005	2006	2007	2008	2009	2010	2011
Serbia	-	582	280	501	10	19	1. 340
Croatia	360	2. 530	674	204	-	201	92
Macedonia	0	280	53	57	-	46	27
Montenegro	-	7	0	-	362	-	-
Albania	7	41	164	3	146	-	-
BIH	21	79	1. 022	2	8	-	-
Total	955	3. 942	2. 192	767	529	266	1. 480

Adapted from the source: UNCTAD, World Investment Report 2012

Table 4 SEE Stock Exchange Trading Volume as Per cent of GDP

Country	1996	2001	2006	2011
Romania	0. 0	0. 6	3. 5	1. 8
Croatia	1. 0	0. 5	3. 7	1. 5
Slovenia	1. 9	3. 9	2. 6	1. 0
Serbia	0. 0	0. 0	4. 6	0. 7
Bulgaria	0. 0	0. 5	4. 5	0. 5
Macedonia	0. 0	1. 4	3. 0	0. 5

Source: World Bank Database

Figures

Chart 1 Does compliance with IFRS outweighs cost of implementation

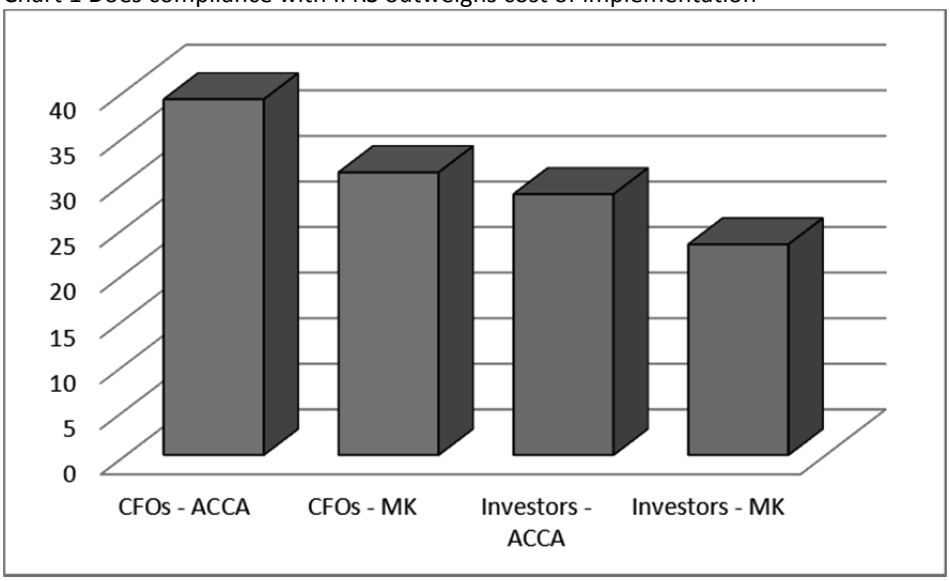


Chart 2 Impact of IFRS on the business activities abroad

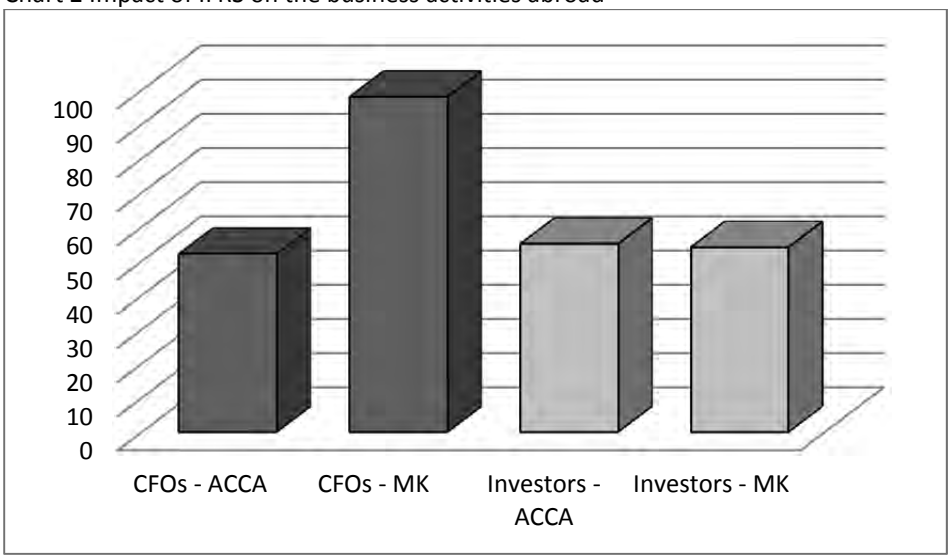


Chart 3 Perception of impact of IFRS on access to capital

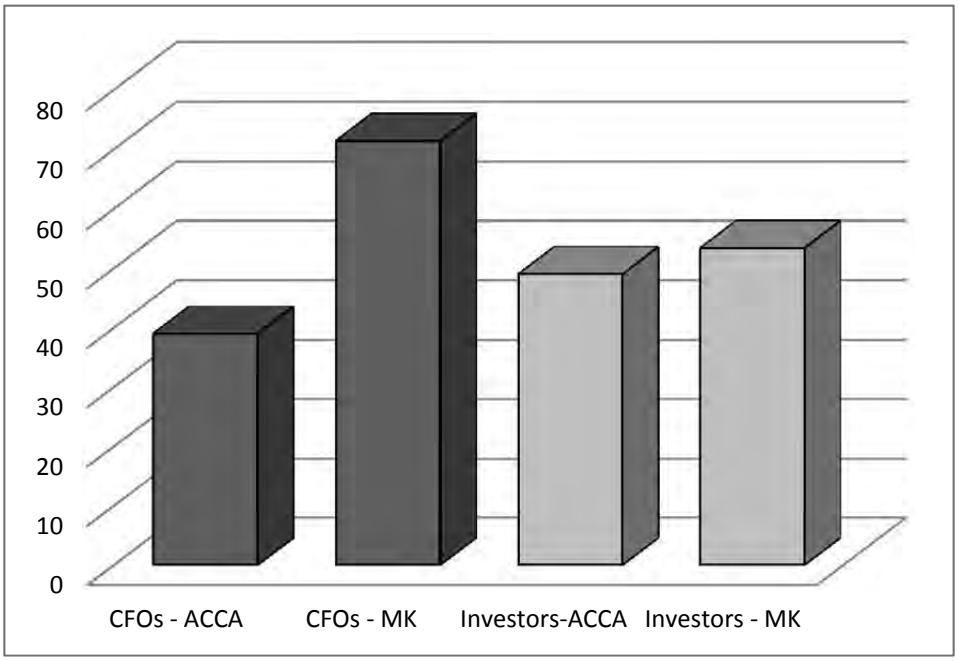


Chart 4 Impact of the global standards in area on environmental risk management

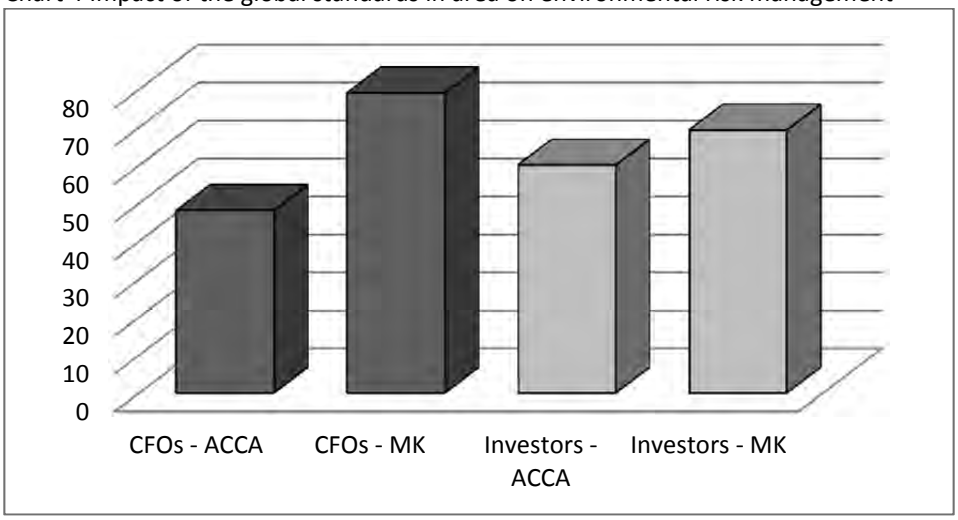
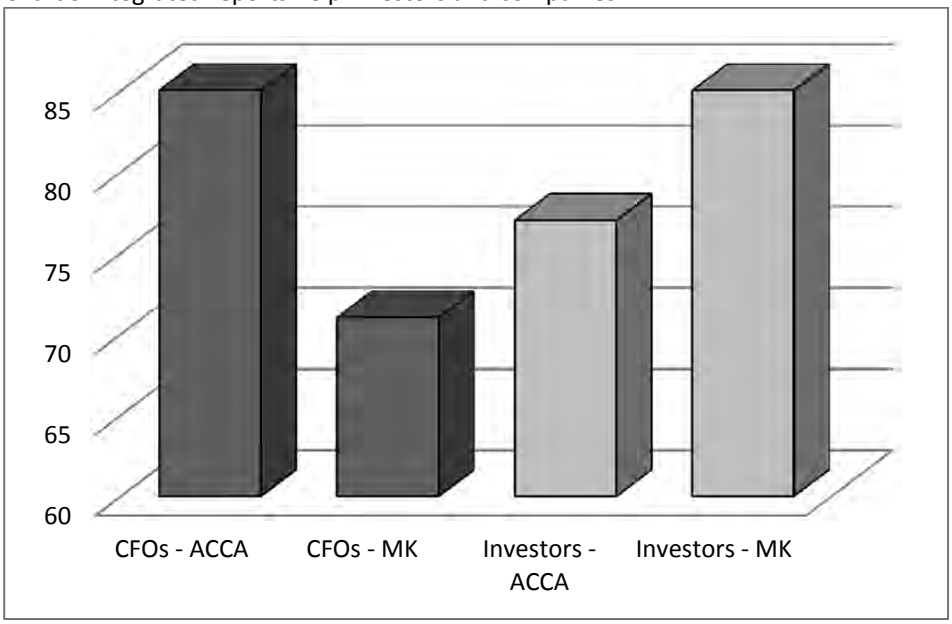


Chart 5 Integrated reports help investors and companies



The Development of "Trust-like" Mechanisms in Today's Bulgaria, the Czech Republic and Romania

Irina Gvelesiani

Abstract

Over recent decades the European legal system has undergone significant changes. Innovative and integrative processes of the globalized world have stipulated the emergence of some juridical and economic formations. This chapter is dedicated to the profound study of one of the most urgent questions of today's juridical world – the emergence and development of "trust-like" mechanisms in European countries such as: Bulgaria, the Czech Republic and Romania. It's a well-known fact, that after the Soviet era, some post-Soviet countries have been "enriched" with certain capitalistic institutions. The most prominent of them is the "trust" – a unique creature of Equity. The concept of "trust" originated in English Common law during the Middle Ages. It derived from a system employed in that era known as "use of land" or "uses". "Trust" considered the transference of the "trustor's" property to the "trustee" who managed it for the benefit of the so-called "beneficiaries". At the beginning of the 19th century, "trust" emerged in the business sphere of the USA, whilst at the end of the 20th century the growing world-wide importance of American capital markets stipulated the appearance of "trust-like" devices throughout Europe. Despite some contradictions, different modifications of "trust" have entered into Bulgarian, Czech and Romanian law. This chapter will study the evolution of these newly established institutions, and attempt to predict their influence on juridical processes and determine their role in the integration of the 21st century European juridical system. This research is based on theoretical data. Its outcomes will be useful for lawyers of different countries of the world.

Keywords: civil law, common law, mechanism, Post-Soviet countries, trust, trust-like device.

Introduction

The historical roots of the European Union lie in the Second World War, while the 1950s are regarded as the starting point for building a peaceful Europe. Since its establishment the EU has become a "growing community", which has been enlarged year by year. The collapse of communism stipulated the emergence of "four freedoms" (movement of services, goods, people and money) across Europe, which facilitated the closer interconnectedness of the European countries. Their economic and juridical co-operation resulted in the emergence of some innovative institutions. Among them is the "trust" - a unique creature of Equity. The concept of "trust" originated in English Common law during the Middle Ages. It derived from a system employed in that era known as "use of land" or "uses". However, the medieval law was quite remote from the modern practice: "the primary purpose of the trust was to facilitate the transfer of freehold land within the family. The law governing the transmission of freehold land was deeply afflicted by feudal restrictions meant originally to concentrate landholdings for military and related advantages" (Langbein, 1995). Entrusting the land to a trustee defeated feudal restrictions. As a result, the "trust" enabled landowners to make provision for their wives and children. The beneficiaries lived on the land and managed it, while the trustees of these primary trusts were the mere stakeholders with no serious powers of management. During the following centuries the institution of "trust" underwent some changes. However, at the beginning of the 19th century, it emerged in the business sphere in the USA ("the first trust company was created in 1806 according to the recommendation of a financier and a politician A. Hamilton" (Zambakhidze, 2000)) and approximately, at the end of the 20th century the growing world-wide importance of American capital markets stipulated the appearance of "trust-like" devices throughout Europe. Despite some contradictions, different modifications of "trust" have entered into Bulgarian, Czech and Romanian law. This chapter will focus on the evolution of these newly established institutions, and will attempt to predict their influence on the juridical-economic processes and determine their role in the integration of the 21st century European juridical systems.

The Emergence and Development of the "Trust-Like" Mechanisms in Bulgaria

The appearance of the Bulgarian "trust-like" mechanism was evidenced in 2006, when Bulgaria adopted the Law on Financial Collateral Arrangements. It presented TTC (Title Transfer Collateral) as a transaction under which: "the collateral provider transfers the full ownership of financial collateral to the collateral taker in order to secure the performance of the relevant financial obligations" (Mangachev, 2009). The TTC is usually evidenced in writing. The parties of the collateral arrangements are presented by "public bodies, banks, insurance undertakings, investment brokers, and financial institutions. Generally, such collateral might be granted also by (or to) merchants (apart from individuals), provided that the other party to the collateral arrangement is a bank or any other of the above heavily regulated entities" (Saeva, n.d.). It means, that according to the Financial Collateral Arrangements Act of 2006, financial collateral can be granted to a merchant, who acts on behalf of one or more persons including a bondholder or holders of other forms of securitized debt or any of the other regulated institutions expressly listed in the law as possible *"collateral takers",* for instance, financial institutions, and banks. Moreover, financial collateral arrangements exist in two forms: the *"financial pledge"* and the *"collateral assignment".*

Generally speaking, the concept of *"pledge"* implies a security interest: "traditionally established over movables and receivables, as the valid creation of a pledge over a movable requires the delivery of the possession of the asset to the *pledgee* or a person nominated by the *pledgo*r and the *pledgee ("possessory pledge")*" (Saeva, n.d.). It is worth mentioning, that the so-called *"non-possessory pledges"* also refer to movables, securities, and receivables. In other words, they do not require delivery of the possession of the asset to the creditor.

While speaking about the "*financial pledge*", we have to consider, that a collateral taker obtains a security interest in the relevant financial collateral: bonds, shares, and options. Although the title remains with a collateral provider, a collateral taker can establish a limited control or a form of the physical possession of the pledged assets. In contrast to the "*financial pledge"*, the "*collateral assignment*" "involves title transfer in financial collateral to the collateral taker, on terms that it or equivalent assets will be transferred back if and when the secured debts are discharged" (Saeva, n. d.).

Contemporary Bulgarian law recognizes one more transaction – a "*mortgage"* - a security interest in a real estate or a ship granted by the mortgagor (the owner) in favor of a mortgagee as a security for a debt (the possession of the property remains with the mortgagor). The law makes a distinction between a *"statutory mortgage"* and a *"contractual mortgage".* The former is created on the ground of the law, while the latter considers an agreement on the contractual basis. Therefore, a notarized form of a deed is created by a *"mortgagor"* and a *"mortgagee".*

Therefore, all the above mentioned indicates, that a *"mortgage*", a *"pledge*" and a *"collateral assignment"* can be regarded as local transactions regulated by Bulgarian law. Some Bulgarian scholars refer to the possibility of the involvement of a foreign *"security trustee"* in local transactions. This fact is rejected by other scholars, who believe, that the appointment of a foreign *"security trustee*" would not "be inconsistent with the accessory nature of Bulgarian law-collateral, as the creditors [should] be considered holders of the collateral both vis-à-vis the agent and the agent's creditors even without a formal transfer of the security interest to the creditor(s)" (Saeva, 2010).

In contrast to Bulgarian local transactions, the cross-border transactions or financing arrangements with an international component are usually governed by foreign law. The choice of a foreign legislation does not prevent the application of the overriding mandatory rules of Bulgarian law, for example, tax provisions, and antitrust. Moreover, in the cross-border transactions with the Bulgarian component, security interests are mainly created and perfected in the Republic of Bulgaria with the participation of a *"security trustee",* which is usually organized under a foreign law. In certain cases, the parties agree on the existence of a parallel debt in favor of a *"security trustee".* Therefore, the collateral held by the trustee secures the parallel debt as well as the claims of the lenders (other secured parties). The former is usually governed by an appropriate foreign law.

Therefore, the "*mortgage*" (a *"statutory mortgage"* and a *"contractual mortgage")* and *"financial collateral arrangements"* (a *"financial pledge"* and a *"collateral assignment")* can be freely regarded as modern "trust-like" devices. The "*collateral assignment*" involves title transfer in financial collateral to the collateral taker, while in case of a "*financial pledge*", the title remains with a collateral provider. In case of a "mortgage", the major functions are performed by a *"mortgagor"* and a *"mortgagee".*

The Emergence and Development of the "Trust-Like" Mechanism in the Czech Republic

Until recently the Czech courts did not recognize a trust instrument. However, on 1 January 2014 a new Civil Code came into effect in the Czech Republic. It introduced an entirely new concept of "trust fund", which was created according to the non-common law model of "trust" – the Quebec model.

According to the general definition: "a trust fund is an arrangement separating a certain part of property from the ownership of the fund founder for a specific purpose. A trust fund can be set up by concluding an agreement or upon the founder's death" (*Trust funds*, 2013). Trust funds consist of three parties - a ***founder,*** a ***trustee*** and a ***beneficiary***:

- **a founder** is a natural person or a legal entity, which sets up the trust. However, after transferring the property the founder loses ownership rights. Moreover, trust assets form part of a distinct autonomous ownership. No one has any rights towards it;
- **a trustee** is the manager of the assets. "The fundamental duty of the trustee is to manage the trust assets with the due care of a good *pater familias*: honestly, faithfully, prudently and ultimately with the highest regard for the purposes of the trust assets" (Gruna, 2014). In certain cases a trustee can be one of the beneficiaries;
- "**a beneficiary** is the person appointed by trust deed to benefit from the trust fund and must meet specified conditions" (*Trust funds*, 2013).

It's worth mentioning, that the Civil Code of the Czech Republic makes a distinction between simple and comprehensive types of trust. In the cases of simple trusts, the trustee is responsible for ensuring the nature and purpose of the trust assets. However, "comprehensive trusts give the trustees much broader powers, as they can manage and administer trust assets in any way they feel is necessary in order to preserve, enhance and indeed increase their value" (Gruna, 2014).

The Emergence and Development of the "Trust-Like" Mechanism in Romania

The New Romanian Civil Code entered into force on 1 October 2011. It introduced the institution of "fiducia" – a mechanism similar to some extent to the English Common Law "trust". The concept of "fiducia" had been transposed from the French legal provisions. However, it has been characterized by a number of specific peculiarities. In general, "fiducia" can be defined as "a legal operation whereby one or several settlers transfer real rights, receivables, security interests or other property rights or a set of such rights, whether present or future, to one or several trustees who are bound to exercise them for a predetermined purpose, for the benefit of one or several beneficiaries (*Trusts and administration of the property of others under the New Civil Code*, 2011).

Therefore, "fiducia" is a legal relationship oriented on the transference of present and future rights. It consists of three major elements:

- A "***constituitori***" (a settler) - a person or a legal entity which creates a "fiducia";
- A "***fiduciari***" (a trustee) - a person or a legal entity which holds legal title to the trust property. "In relation to third parties, the trustee will be deemed to have full proprietary rights over the patrimony (total assets and liabilities transferred through the fiducia)" (Giurgea, 2011). A "fiduciari" can be represented only by credit institutions, investment companies, insurance and reinsurance companies, investment management companies, public notaries and attorneys at law;
- A "***beneficiari***" (a beneficiary) – a beneficial owner of the property.

"Fiducia" must be expressly established by law or by authenticated contract. The contracting parties - a ***constituitori,*** a ***fiduciari*** and a ***beneficiari*** – make an agreement, which connects them by a common purpose. A "fiducia" is usually registered at the Electronic Archive of Security Interests in Personal Property. In order to be valid, it must explicitly state the following elements:

- the rights subject to transfer;
- the duration of transfer (not to exceed 33 years);
- the identity of a grantor, a trustee and a beneficiary;
- the purpose of the fiducia;
- and the extent of the trustee's management and disposal powers (*Trusts under Romania's new civil code*, 2012).

Analysis

All the above mentioned enables us to conclude, that the Romanian, Bulgarian and Czech "trust-like" devices came into being in the 21st century. They were introduced into the juridical systems of Bulgaria, Romania and the Czech Republic. The concept of "fiducia" was transposed from the French legal provisions, while the Czech "trust fund" was created according to the Quebec model. The non-common law origin of these mechanisms stipulated the emergence of their peculiarities. On the one hand, they have shared characteristics of the common law "trust", while on the other hand, they were enriched with civil law particularities. Therefore:

- Similar to the Anglo-American "trust", the Romanian and Czech "trust-like" mechanisms comprise three parties: a settler, a trustee and a beneficiary;
- In contrast with the Anglo-American "trust" (which divides trustor's ownership into the property of a trustee and the property of a beneficiary – an equitable interest), "fiducia" divides and at the same time, separates the trust property from a trustee's individual property. Therefore, trust assets and a trustee's individual property are discussed as two separate units. Different conditions are witnessed in Czech law, where the trust assets form part of a distinct autonomous ownership and no one has any rights towards them;
- The creation of the Anglo-American "trust" requires a settlor's intent presented orally or in a written form. For the creation of the "fiducia", a ***constituitori*** enters into a written and notarized contract with a ***fiduciary***, while the Czech trust fund can be set up by concluding an agreement or upon the founder's death;
- The Anglo-American "trust" can be subject to a *mortis causa* deed (the so-called "testamentary trust"). The same can be said about the Czech trust fund. However, the Romanian legal system is not familiar with the concept of a "testamentary trust". Therefore, a "*fiducia*" can be created only during the settlor's lifetime.

The discussion of the above mentioned peculiarities considers only the Romanian and Czech "trust-like" mechanisms. They stand closer to the common law "original" and naturally, stand apart from their Bulgarian "counterparts", which are presented only by the "*mortgage*" (a *"statutory mortgage"* and a *"contractual mortgage")* and *"financial collateral arrangements"* (a *"financial pledge"* and a *"collateral assignment").* These

transactions are made in the written form and represent a notarized form of the deed. The "*collateral assignment*" involves title transfer in financial collateral to the collateral taker, while in the case of a "*financial pledge*", the title remains with a collateral provider. A collateral taker can only establish a limited control or a form of the physical possession of the pledged assets. In case of a "mortgage", the major functions are performed by a *"mortgagor"* and a *"mortgagee".*

Conclusions

This chapter has focused on the detailed study of the Romanian, Czech and Bulgarian "trust-like" mechanisms. It is apparent, that the establishment of these innovative legal institutions was a reaction to the ongoing processes of globalization and internationalization. The recently increased mobility of capital, investors, lawyers and scholars turned the "trust" into a truly global phenomenon. As a result, this integral part of common law was transplanted into the civil law "soils". The above given comparative analysis reveals the major characteristics of the innovative Romanian, Czech and Bulgarian "trust-like" devices. They do not represent an ideal reflection of the original model. However, we can freely speak about the tendency of the further improvement of "trust-like" mechanisms. Timely amendments to the civil codes will facilitate the reconstruction of the newly established institutions, while this comparative analysis of the Romanian, Czech and Bulgarian "trust-like" devices will serve as a useful tool of these processes. They will facilitate integration into the EU legal sphere and will stipulate the correct expansion of the "trust" beyond "the traditional geographical boundaries of the "trust-proper" (Thévenoz, 2009). As a result, a major step will be made towards increasing the prosperity of the Romanian, Czech and Bulgarian juridical-economic systems.

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The Regulation of Licensed Industries in Small Economies: Limiting the Number of Participants or Encouraging Competition for Better Service Quality

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Abstract

The regulation of professions that provide services to the public is necessary to ensure the quality of their services and to protect the interests of their users. However, it can have some adverse effects such as eliminating or restricting competition and reducing transparency. Therefore, establishing a balance between the interest that is supposed to be achieved by regulation and the need to allow competition is becoming more obvious. This is particularly evident when applying regulatory standards in small economies. While the main principles of competition and regulation as developed in major economies are suitable for small economies, their application should be different due to the characteristics of small and limited markets. This chapter will cover three professions - lawyers, accountants and architects, as the most numerous and longest present in the Macedonian market. In the review of the regulation of these professions in Macedonia, a comparison is made with those of the ten new member countries from Central and Eastern Europe (CEE-10). The purpose of this chapter is based on the comparison and experience of the operation of the regulated professions and industries in Macedonia, and to make recommendations for establishing regulatory systems that will enable protection of the public interests and development of these industries.

Keywords: regulation, licensed industry, licensed profession, self-regulated organizations, competition, small economies.

Introduction

People rely on the ethical integrity of professionals because they provide intangible services and customers have to believe that the the services that they receive are of a good quality. This explains the need for governments or governmental bodies to regulate these professions, or transfer regulatory processes to self-regulated organizations with delegated regulatory power.

The first aim of this chapter is to review the professions in Macedonia in terms of their regulation as well as the impact regulation may have on competition within these professions. The second aim is to provide suggestions for the future direction of the regulations which apply to these professions. As such, this chapter will focus on regulations for lawyers, accountants and architects, and the conclusions can be applied to similar professions as well (such as notaries, engineers, tax advisors, and auditors). Then a comparison of data will be made with the ten countries of Central and Eastern Europe, which are members of the European Union.

When adopting the conclusions and proposals for regulation and their competition in the professional occupations in the small markets we must take into account the regulated industries such as the capital market, pension funds, and university education in Macedonia. The experience taken from their regulation is useful with regard to the large number of service users and the consequences on public opinion and trust in these industries when the service providers fail. Furthermore, these industries are sensitive because of the high requirements and conditions for providing adequate and costly capacious and technical conditions. The regulation of the notary profession imposes quantitative entry restrictions but for the other professions entry is open to all who meet the requirements of these service provisions.

In these circumstances, it is questionable whether the regulation of professions and industries, particularly of the small markets, is necessarily in the interest of their users. The reason for this dilemma is the non-methodical issuing of approvals for such works to all who meet the required conditions. Because of the collapse of the large state companies, during the transition process, some former employees such as lawyers and accountants became the new providers of professional services. The increased number of professional service providers has resulted in a lowering of charges for their services and in turn a lowering in the quality of the services that they provide. Such behavior is very notable among the accountants and the brokerage houses (offering service with 0% commission). The above mentioned can disrupt the entire

market of these services by violating trust in all the service providers, or jeopardizing the cost-effectiveness of the service providers.

In recent years, the regulated professions in Macedonia clearly demonstrate examples of the negative outcome of an unrestricted entry of participants onto the capital market and the high entry requirements on the pension market. During the Macedonian stock exchange boom in 2007, caused by the global trend and extreme optimism in share price growth, the number of brokerage houses in Macedonia increased from 17 in 2006 to 29 in 2008. As a result of the sharp decline in stock prices and trade, most of the new brokerage houses have been facing financial problems, thereby causing a reverse process of reducing their number down to 13 in 2013. Only two licenses for establishing pension companies have been issued which in the absence of limitations on legal fees have introduced an extremely high entry fee of 9.9%. Regarding the negative consequences from restricting the entry of more participants in 2010, market liberalization and the legal determination of commission was introduced. The strict conditions for market entry and the small number of eligible companies do not create favorable conditions for opening new pension companies.

The selected service providers referred to in this chapter have strict requirements for establishing and operating companies which include: the limitation of those who can become a founder, a substantial initial capital, high technical requirements, a minimum number of licensed personnel, regulatory body fees and the large number of service users. The non-existence of limitations to entry of the service providers can produce the closure of a number of companies due to their inability to cover the high cost of their operations, in turn causing adverse consequences to the reputations of all members in these industries. In terms of the limited demand for such services, and the planning of individual services on offer which is required in order to offer services that are in the interest of the development of these industries, in order to protect the interests of the service users and to encourage the growth of these industries.

The Regulation of Industries and Professions, and Competition

We depend on professionals to maintain our health, handle our legal and financial affairs, protect our political interests and manage businesses that provide us with employment and consumer goods (Jennings et al., 1987). Not only are individuals more and more dependent on professionals, but they have

a great importance in society. Nearly every market segment of the modern economy - manufacturing, technology, transportation, or energy - intersects with the professional services industry at multiple levels – whether they are lawyers, accountants, or engineers (Williams and Nersessian, 2007). On the other hand they are a powerful economic force that plays an increasing role in the global economy. According to the European Commission (Boot et al., 2013), there are 800 different activities in the EU: "that are considered to be regulated professions in one or more member state and relate to service providers with specific qualifications". Professional services accounted for 10.2% of GDP in the EU and 2.4% in the number of employees (The CityUK, 2013). In Macedonia, professional services are not yet fully developed and their share in GDP in 2011 was 2.3%. The share in GDP of legal, accounting, architectural and engineering services in GDP is 1.7%, while the share of the employee in these services in total employment is 2.2% (The State Statistical Office of Republic of Macedonia, 2013).

The activities of the professional service providers are regulated in almost all countries, either directly or by the delegation of the regulatory power to the professional associations. The regulation of these professions may relate, among other things, to the following: the number of participants in the profession, the price professionals can charge, the organizational structure, the ability to advertise and the work that can be performed by the members of that profession. Such restrictions can reduce or eliminate any competition between the service providers and thus reduce the incentive of the professionals for cost- efficient operation, lower prices, higher quality or the supply of service innovation. In the past, there was a growing knowledge in many countries (Schultze, 2007) that the occupational regulation has a direct or indirect effect on reducing competition in the market of professional services.

In efficient markets, competition provides significant benefits for the service users through the possibilities of better selection, lower prices and a better quality of goods and services. However, the markets do not always deliver the best results for the consumers of goods and services, the companies or governments. To resolve this, the governments set legal and institutional frameworks for the operation of markets and companies. This way, the governments intervene to achieve specific goals and to prevent the collapse of markets. The unlimited rule of law of free competition in small markets in certain regulated professions can lead to a violation of public trust,

market failure or the destruction of interest in the participation of new participants.

The criticisms over the limitations on the regulations, the consequences on pricing and the quality of services, and the availability of services to all users are very common. Numerous studies in various professions have been conducted to determine the impact of entry restrictions for prices and services, and the overall results. Most of these studies were conducted in developed countries with highly developed markets of professional services. A comprehensive review of these papers done by Olsen (1999) confirms that restrictions on entry into the profession caused higher prices. The study of OECD (2002) also shows the negative effect of the excessive regulation on service users, such as higher prices and lower quality. Other research (Stephen and Love 1999) shows that the increased number of lawyers does not affect increased competition in terms of cost reduction and a greater range of services. Therefore, Van den Bergh (2006) states that it is difficult to determine a general conclusion about the effect of input constraints on the regulated professions.

Methodology

The review of the regulatory framework of the regulated professions is made on the basis of the relevant literature, laws and websites of professional associations, other online sources and in-depth interviews with individual members of the profession. The survey includes the following occupations:

- Lawyers (legal services),
- Accountants (accounting services) and
- Architects (technical services).

The regulation of these groups of professions is reviewed through the basic limiting regulations:

- Regulation of entry;
- Regulation of price;
- Restriction of advertising and
- Business structure and inter-professional collaboration.

The results that have been gathered in are compared with the report on the regulation of liberal professions in Stocktaking Exercise on Regulation of Professional Services of the European Commission (2004) in ten new EU member states (Estonia, Latvia, Lithuania, Cyprus, Malta, Poland, Slovenia, Slovakia, Hungary and Czech Republic).

Results

In the countries that have been researched, the requirements for joining the professions are usually high: a certain number of years of university education and professional experience, successfully passing the compulsory exam and mandatory membership of professional associations. All these countries have the strictest conditions for joining the legal profession such as: five years of university education and on average two and a half years of professional experience, passing an expert exam and mandatory membership of professional associations. The accounting services require a minimum period of education (three years), relevant professional experience (for example in Poland it is three years) and successfully passing an exam. The membership of professional associations in these countries is compulsory except in Latvia and in Poland. The process for obtaining a license for architects takes seven to ten years and consists of a five-year of university education, a minimum of three years professional experience (five in Lithuania), successfully passing the professional exam (except in Estonia and Hungary) and with some exceptions, membership of a professional association.

Table1: Countries and professions according licensing regulations

Profession	Level of education	Previous professional experience	Expert exam	Mandatory membership in a professional association
Lawyers	All countries	All countries	All countries	All countries
Accountants	All countries	All countries	All countries	All countries (except Latvia and Poland)
Architects	All countries	All countries	All countries (except Estonia and Hungary)	All countries (except stonia, Lithuania and Latvia)

Source: European Commission (2004). Stocktaking Exercise on the Regulation of Professional Services. The information for Macedonia was provided by the web pages of the regulatory and the professional bodies.

The prices of processional services are less regulated in all the countries examined in this chapter although the regulation for legal services is the strictest. Some countries apply minimal prices for legal services, and others have maximum prices (Latvia), while some countries determine a fixed prices (Estonia) or a recommended price (Slovakia and Lithuania). The professional associations in Poland and Hungary do not interfere with the level and structure of the prices of legal professionals. The service prices of the other two professions are significantly less regulated, especially in the case of accountancy, with the exception being the case of Slovakia. In some countries there is a loose regulation of the prices for architectural services in the form of recommended prices (Czech Republic, Hungary, Latvia, Slovakia and Slovenia) or there is no limitation in the other countries.

Table 2: Countries and professions according pricing regulation

	Minimal prices	Maximal prices	Fixed prices	Referent	Recommended prices	Not regulated
Lawyers	Cyprus, Malta, Czech Republic, Slovenia	Latvia	Estonia, Macedonia	Slovakia and Lithuania		Poland and Hungary
Accountants				Slovakia		
Architects					Check Republic, Hungary, Latvia, Slovakia and Slovenia	All other countries

Source: European Commission (2004). Stocktaking Exercise on the Regulation of Professional Services. The information for Macedonia was provided by the web pages of the regulatory and the professional bodies.

In most of the countries surveyed in this chapter, advertising legal services is not allowed. Whilst there is a general prohibition on advertising in Estonia, Lithuania and Poland, Lawyers in Poland cannot advertise, while legal advisors have a limited freedom of publicity, for example, they can provide information on the scope of activities, areas of legal advice, professional experience and the basis for the calculation of remuneration.). By contrast, in the Czech Republic, Hungary and Slovenia most forms of publicity are allowed, whilst in Latvia, only few. In Slovakia advertising is allowed, but with significant restrictions.

Table 3: Countries and professions according advertizing regulation

Profession	Advertizing prohibited	Limited	No limitation
Lawyers	Estonia, Lithuania, Poland, Macedonia	Slovakia, Check Republic, Hungary, Slovenia and Latvia	
Accountants		Poland	All other countries
Architects			All countries

Source: European Commission (2004). Stocktaking Exercise on the Regulation of Professional Services. The information for Macedonia was provided by the web pages of the regulatory and the professional bodies.

The rules for the structure of these professions are mainly relevant to the opening of branches, and the legal formation of organizations or the opportunity for developing inter-professional associations. These rules include a requirement for liability insurance when carrying out services. Regulations for the location and diversification of performing legal services only exist in Slovenia, whilst in the other countries there is no such regulation for any of the examined professions. The form of work organization is regulated in all the countries for all the professions concerned. Liability insurance is required for all professions and countries subject to review, with few exceptions. Partnership with other professions is not allowed for lawyers in all the countries, whilst for accountants and architects there is no limitation in this regard.

Table 4: Countries and professions according to organizational type of work

Profession	Location and dispersion	Form of legal subject	Mandatory insurance	Partnership with other professions
Lawyers	Slovenia	All countries	All countries except Latvia	All countries
Accountants		All countries	All countries except Latvia	
Architects		All countries	All countries except Estonia and Hungary	

Source: European Commission (2004). Stocktaking Exercise on the Regulation of Professional Services. The information for Macedonia was provided by the web pages of the regulatory and the professional bodies.

The revision of the four points of regulation of the examined regulated professions in Macedonia demonstrates similar characteristics to the corresponding ten countries in the European Commission Report. Notable differences are the relatively late introduction of regulations for accounting services and the absence of any self-regulatory body function in accountancy.

Conclusions and Recommendations

The increased number of employees engaged in professional services and their contribution to national products make the professional services an important part of the economies in all the countries concerned. Professional services are on the increase in the developing countries, mainly as a result of changes in the economy during the transition process. In recent years the importance of the professional services in Macedonia has been growing and new professions are emerging, such as: notaries, administrators, tax advisers, brokers, investment advisors, accountants, and auditors.

These professions are highly regulated in order to provide protection for the profession and service users. The developing countries in the transitional period, when building a market system, were adopting regulatory standards from the developed countries. But the question is, whether the same regulation is appropriate for small markets? The examples from the practice of the regulated industries in Macedonia provide evidence of a negative impact of inappropriate price regulation and of incentives to join one of these industries. The results of the professions surveyed in this research

project demonstrate that in Macedonia the professions are regulated at the same level as in the other comparable countries, with a few exceptions in the accounting profession.

Regulation is an important factor in determining the possibilities and the prospects of the industries of professional services. Therefore, an effective regulatory system that protects and enables the development of the regulated industries is required. Establishing a regulatory framework in the small markets is crucial for enabling the development and growth of trust in the regulated industries and the newly emerging professions. Based on the survey of these professions and industries, we consider the following suggestions:

- Using a system of revisions for measuring the effects of regulations and making any changes accordingly, when they are deemed necessary.
- Implementing measures to harmonize competition and regulation, and
- Involving service users in the process of regulation.

At the end of the day, the key role of the regulation is to enable fair competition by establishing a "just playing field" for all participants in the regulated markets and by this the service users will gain more trust in the market.

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The Integration of Western Balkan Industries into the EU Internal Market: Recent Trends in the Trade of Manufactured Goods

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Abstract

The EU accession process of the Western Balkan countries has been accompanied by a major increase in commodity trade with the EU Member States. Consequently, the EU has become the most important trading partner of the Western Balkan countries, but exports from the Western Balkans have been mainly based on low value-added products (resource- and labor-intensive ones). This chapter sets out to analyze changes in the dynamics and pattern of trade in products of the manufacturing industry between the Western Balkan region and the EU over the past couple of years. Particular attention has been paid to changes that occurred in the wake of the recent global economic crisis. For the purpose of analysis, the data on commodity trade provided by Eurostat has been used. Based on the results of this analysis, we have concluded that the region, as a whole, continues to specialize in the export of labor-intensive products, such as garments and footwear, and resource-intensive products, such as metals and wood. When more sophisticated goods, such as machinery and transport equipment, are considered, an increase in the volume of exports, as well as their share, can be observed. It also seems that some of the countries are specializing in the production and export of certain types of machinery and transport equipment, but we could not observe a common regional pattern.

Keywords: export, import, manufacturing, Western Balkan, European Union, commodity trade.

1. Introduction

The trade performance of the Western Balkan countries has been discussed in only a small number of academic papers. The prevailing point of interest has been the region's underperformance in respect to its export potential, and a subsequent failure to contribute more substantially to the growth of GDP. The 2008 World Bank study not only found that in most of the Western Balkan countries exports did not sufficiently contribute to growth, but actually identified commodity exports as "*the weak link in growth*" (Kathuria, 2008, p. 4). Dealing with the broader region (South-Eastern Europe), this World Bank study draws conclusions that are applicable in the case of individual Western Balkan countries. It shows that the pattern of trade was not favorable, since the composition of commodity exports, heavily reliant upon unskilled-labor and natural-resource-intensive products, makes exports vulnerable to low-cost competition from other countries (Kathuria, 2008, p. 26). A subsequent World Bank study from 2010 also tackles the trade performance of the Western Balkan countries, but focuses on intra-regional trade within CEFTA 2006 (Handijski, Lucas, Martin, & Guerin, 2010).

Trade relations with the European Union (EU) are of the utmost importance for the Western Balkan countries, who all aspire to become full members of the European Union. Interestingly, literature on trade relations between the two has not been abundant, particularly in recent years. An EU Commission report from 2008 (Jakubiak & Oruc, 2008) points to the magnitude of the Western Balkans' dependence on trade with the EU, but also reveals that this dependence has declined since the beginning of the 2000s. Such a high level of dependence has been observed as the main channel for the transmission of the global crisis to the Western Balkan markets (Bjelić, Jaćimović, & Tašić, 2013). As far as the general composition and dynamics of trade are observed, Botrić (2012) finds that they have not been satisfactory, since the pattern resembles the classical South-North trade pattern. She also analyses trade with the old and new EU Member States seperately, and concludes that Western Balkan trade with the old member states is larger, and includes a more diverse and more complex product composition. Mardas and Nikas (2008) deal with intra-industry trade between the Western Balkans and the EU, and find that it remains to be at low levels.

Obviously, the trade performance of the Western Balkan countries has not been satisfactory so far. The structure of exports, dependent mainly upon low value-added products, has been particularly problematic. At the same

time, their capacity to produce and export more sophisticated goods has been constrained by the fact that they underwent a process of deindustrialization during the 1990s (Estrin & Uvalic, 2014). However, since the beginning of the 2000s a modest recovery of industrial production, as well as the introduction of autonomous trade preferences by the EU, established a framework in which qualitative changes in the composition of the region's manufactured exports could have taken place. But, according to our knowledge, there are no papers that have specifically focused on trade in manufactured goods between the Western Balkan region and the EU. We therefore intend to fill this gap and analyze the main tendencies over the previous couple of years.

The paper is organized as follows. Firstly, a brief overview of the methodology is given. Then, the main tendencies in commodity trade between the Western Balkan countries and the EU will be analyzed. Afterwards, the paper focuses on the analysis of mutual trade in manufactured goods. For that purpose, an overview of the main tendencies in industrial and manufacturing production in the Western Balkan countries is presented, followed by an overview of developments concerning trade in manufactured goods. Subsequently, an in-depth analysis of the composition of manufactured exports from the Western Balkan region to the EU is given, encompassing the analysis of the most important commodities, as well as the composition of exports by individual Western Balkan countries. Finally, a summary of the main conclusions is provided.

2. Methodology

In this paper we analyze the main characteristics of trade in manufactured goods between the Western Balkan region and the EU, and in particular exports from the Western Balkans. The Western Balkan region is comprised of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Kosovo. Throughout the article, unless otherwise noted, the term EU refers to the Union comprised of 27 Member States, except for 2001, when the term referred to 15 Member States. The period from 2001 to 2012 is observed, although on several occasions references to 2013 are made.

Data on trade in manufactured goods have been collected from the Eurostat on-line database. Firstly, data on commodity exports and imports by the Standard International Trade Classification (SITC) were collected; and then the Correspondence tables from the Eurostat's Metadata Server were used in

order to single out the SITC groups that refer to the products of manufacturing industry. In order to make comparisons over time, we deflated data using the Harmonized Index of Consumer Prices (HICP) for the Euro area. Therefore, all growth rates and indices refer to real changes over time. The following databases provided by the Eurostat's online Statistics Database have been used: *DS_018995*, *cpc_etsitc*, *cpc_insts*, *sts_inpr_a* and *prc_hicp_aind*.

3. An Overview of Trends in Commodity Trade between the Western Balkans and the EU

The relative stabilization of the economic and political situation in the Western Balkan region since the beginning of the 2000s, along with the launch of the Stabilization and Association Process (SAP) with the EU, and in particular the granting of autonomous trade preferences, significantly contributed to the intensification of mutual trade (see Handijski et al., 2010). The value of commodity exports from the Western Balkan region to the EU27 increased more than twofold (in real terms) in 2012 in relation to 2001, while imports increased by more than 1.5 times. The EU has become the major trading partner of the Western Balkan countries, constituting around 60% of the region's commodity trade.

However, trade flows have been adversely affected by the global economic downturn in 2008. While before 2007 both exports and imports grew, on average, by around two-digit rates annually, since 2008 one can observe only a mild increase in exports from the Western Balkan countries, while imports to the region have declined (refer to Table 1).

Similar results can be observed in Figure 1. During the 2007-2012 period commodity exports increased by the modest rate of 9%, while imports decreased by 5%. As a consequence, the value of the Western Balkan deficit in trade with the EU also decreased, but nevertheless remained relatively high, only slightly lower than the value of exports.

The composition of commodity trade between the Western Balkans and the EU has been dominated by manufactured goods (Table 2). Their share in the values of Western Balkan commodity exports and imports has stood at around 90%. However, a recent decrease in the share of manufactured goods in commodity exports can be observed, while their share in commodity imports has been more stable. According to preliminary data for 2013, these tendencies remain, since the share of manufactured goods in Western Balkan

exports to the EU27 remained unchanged in relation to 2012, while the share in imports increased by 1 percentage point.

Such tendencies stand for most of the individual Western Balkan countries as well. Namely, since 2007 a decrease in the share of manufactured exports can be observed for all of the countries, with the exception of Bosnia and Herzegovina, in which case the share has been stable and at relatively high levels (92-94%). Albania is an outsider; the declining share of manufactured goods in the total value of exports to the EU has been so prominent since 2001, that the corresponding share in 2012 stood at only 60%. As for imports, the manufactured products have constituted over 90% of imports from the EU throughout the Western Balkan region, most notably in the case of Montenegro (with a share of 97% in 2012).

4. Tendencies in Trade in Manufactured Goods between the Western Balkans and the EU

4.1 Overview of the Industrial Production in the Western Balkan Countries

After a period of decline during the 1990s, a modest recovery of industrial production can be observed between 2001 and 2008. As can be seen from Figure 2, during the observed period the index of industrial production in most of the Western Balkan countries has generally been increasing. The highest growth rates were recorded in the cases of Albania and Bosnia and Herzegovina, and the lowest ones in the cases of Serbia and Montenegro. Due to the lack of comprehensive data for all of the countries, it is not possible to analyze the performance of the manufacturing industry of the whole region prior to the global economic crisis; nevertheless, available data suggest that, along with industrial production, positive tendencies were recorded in the case of manufacturing as well.

But the modest recovery of industrial production and manufacturing in most of the Western Balkan countries was jeopardized by the beginning of the global economic crisis, so that in 2009 the indicators of industrial production recorded a drastic decline. Serbia was most severely affected by the crisis, since indicators for both industrial production and manufacturing recorded the largest declines. However the smallest decrease was recorded in the case of Bosnia and Herzegovina. Albania is the exception, because after the occurrence of the crisis it even recorded an increase in the industrial

production index (however, one should bear in mind that such an enormous change in the index is actually the result of the low base effect). As of 2010, a modest recovery in manufacturing production occurred in Macedonia, Bosnia and Herzegovina and Serbia, while in the cases of Croatia and Montenegro a continuous decline in the value of the index has been recorded (Fig. 3).

4.2 Trade in Manufactured Goods Prior to the Global Economic Crisis

Due to unfavorable developments during the 1990s, the Western Balkan export of manufactured goods to the EU at the beginning of the 2000s relied primarily on low technology products. Garments and footwear, the main products exported from the Western Balkans to the EU, were almost entirely based on outward processing activities. This meant that the low-cost labor from the Western Balkans simply executed the finishing work, while the entire pre-production (including the production of textiles, and design) had already been carried out abroad. Other major product groups exported from the region included metals, furniture and wood (Fig. 4), which also happened to be low-tech products.

Another problem was that, besides being labor-intensive and low value-added, exports from the Western Balkans to the EU were highly concentrated on several product groups. For instance, in 2001 garments and footwear constituted as much as a third of the region's total manufactured exports to the EU (garments alone had a share of 24%) (Fig. 4).

The export performance of individual Western Balkan countries followed the regional pattern. Garments and footwear were among the most important products exported to the EU in all of them, and most notably in the case of Macedonia, since garments alone constituted as much as 45% of the value of manufactured exports to the EU. Other countries specialized in some other manufacturing as well. The major exporters of furniture were Bosnia and Hercegovina, Yugoslavia (in other words, present-day Serbia, Montenegro and Kosovo) and Croatia, Serbia and Montenegro also exported aluminum and copper; furthermore, Bosnia and Herzegovina exported wood, Yugoslavia dried mushrooms, frozen fruit and tires, Macedonia steel, and Croatia electrical devices.

As opposed to exports, the manufactured imports from the EU were more dispersed among different product groups. In 2001 the most important group was road vehicles, with a share of 9% in the value of manufactured imports from the EU; the total share of the machinery (SITC section 7) stood at

32%. It is important to note that other major import products included textile fabrics and garments, which were used as inputs in outward processing activities; this additionally highlights the unfavorable export performance of the region at the time. All of the individual Western Balkan countries exhibited an import pattern similar to the one described above.

After 2001 one can observe that the structure of exports from the Western Balkan region to the EU started to change. Commodity exports became more dispersed across different product groups, and at the same time the Western Balkans were slightly less dependent upon outward processing activities. For instance, despite the fact that the exports of garments and footwear to the EU increased in real terms in 2007 in relation to 2001, their share in the value of total manufactured exports to the Union decreased by ten percentage points. Instead, steel became the major export product, constituting with other metal products more than a quarter of the region's manufactured exports to the EU. Serbia, Montenegro and Macedonia were the region's leading exporters of metals. In the case of the latter two, the export structure was so strongly biased towards metal products, that in 2007 they constituted as much as 94% of the total Montenegrin manufactured exports to the EU, while steel alone made up a half of the corresponding exports of Macedonia. Although less based on labor-intensive activities, such an export structure, driven by rising demand on the global market, was unfavorable and proved to be rather weak, since changes in global demand in the following years led to a sharp decrease in the exportation of steel. As far as the composition of manufactured imports from the EU is concerned, it did not change significantly between 2001 and 2007.

4.3 The Main Tendencies in the Trade in Manufactured Goods since the Outbreak of the Global Economic Crisis

The occurrence of the global economic crisis in 2008 has had an adverse impact on trade flows between the Western Balkans and the EU. Commodity imports to the region decreased by 5% in 2012 in relation to 2007, and exports increased by 9%, but this was negligible in relation to the overall increase of 89% recorded between 2001 and 2007. Unfavorable tendencies were even more pronounced in the case of manufactured goods. In 2012, in relation to the 2007 figures for exports from the Western Balkan countries to the EU, the figures increased by only 4%, while imports decreased by 7%. However, as is shown in Figure 5, after an initial drop (of nearly a quarter in

2009 in relation to 2008), manufactured exports seem to have managed to recover, while manufactured imports from the EU have stabilized, but at lower levels than those recorded before the crisis.

4.3.1 Changes in the Composition of Manufactured Goods Exported from the Western Balkans

The most notable changes in the composition of Western Balkan manufactured exports to the EU that took place between 2007 and 2012 include a declining share of goods classified by material and an increasing importance of machinery and transport equipment (Fig. 6). The occurrence of the global economic crisis had a short-term reverse impact, but the afore-mentioned tendency seems to have been re-established. Namely, due to the declining exports of steel, the share of goods classified by material increased in 2010 and 2011, but continued to decline afterwards; as far as machinery is concerned, a short-lived decrease in 2010 and 2011 was offset by the subsequent increase in exports of transport equipment, electrical equipment and certain industrial machinery. The three most important SITC sections – goods classified by material, machinery and miscellaneous goods - had a share of a quarter each in the value of Western Balkan manufactured exports to the EU in 2012.

The composition of the top five SITC divisions of manufactured goods exported from the Western Balkans to the EU did not change substantially over the 2007-2012 period. As presented in Table 3, this list includes the same product groups throughout the observed period. However, what did change is the relative importance of these product groups. At the beginning of the period, steel and non-ferrous metals (aluminum and copper) were among the top three product groups; however, their relative importance has subsequently declined. An interesting finding is that, in the wake of the global economic crisis, apparel and clothing re-emerged as the most important SITC division. As far as electrical appliances are concerned, their importance has been steadily increasing.

If we consider preliminary data for 2013, we can observe that road vehicles have become the top product group exported from the Western Balkan region to the EU. Thus, the composition of the top five product groups has changed, so it includes two groups of machinery and transport equipment (SITC section 7), while non-ferrous metals have dropped off the list. If these data prove to be valid, this could point to the conclusion that the composition

of manufactured exports from the Western Balkans to the EU has improved, and the relative importance of technology-intensive product groups has increased.

4.3.2 The Composition of Manufactured Exports of Individual Western Balkan Countries

Croatia and Serbia are the two main exporters of manufactured goods from the Western Balkans to the EU. Croatia has been the dominant exporter, but its share has generally been decreasing, while Serbia's share has been relatively stable (Fig. 7). These two countries together make up around two thirds of the total value of manufactured goods exported from the Western Balkan region to the EU. Bosnia and Herzegovina and Macedonia comprise another group of countries, with individual shares of around 15%; however, while Macedonian exports seem to have been negatively affected by the global economic crisis, Bosnia and Herzegovina's share has been on the increase since 2007. The contribution of the remaining Western Balkan countries has been less significant, and stands at around 7%.

We have also examined the changes in the shares of individual countries in the region's exports of manufactured goods classified by SITC divisions over the 2007 - 2012 period. The general tendency is that the shares of Croatia have been declining, while the relative importance of Serbia, and to a lesser extent of Bosnia and Herzegovina, has been on the increase.

In particular, in 2007 Croatia was the dominant exporter of manufactured goods to the EU (with a share exceeding 50%) in the case of 34 SITC divisions, while in 2012 it was true for 23 SITC divisions. Croatia's position relative to the other Western Balkan countries worsened especially in the case of machinery and transport equipment; for example, between 2007 and 2012 the share in the region's exports of road vehicles to the EU declined from 58% to 19%, and in the case of electrical machinery and appliances from 73% to 43%. However, product groups in which Croatia remains by far the most important exporter from the region include most of agrifood products; energy products; fertilizers, pharmaceuticals and various organic chemicals; leather products; cement and glassware; combines, civil-engineering machinery and machinery for working rubber or plastics; railway and aircraft equipment; and thermostats.

Serbia had over a 50% share in regional exports in the case of 10 SITC divisions in 2012, which was 2 more than it had been in 2007. Its share

particularly increased in the case of machinery and transport equipment, at the expense of Croatia's declining share. In 2012 Serbia was the region's principal exporter of frozen fruits and animal foodstuffs; synthetic rubber and plastics; car tires and copper; office machines, electric generators and road vehicles.

Bosnia and Herzegovina has had over a 50% share in the region's exports of crude manufactured goods, in particular hides, coal briquettes and coke, but during the 2007-2012 period it also became the dominant exporter of inorganic chemicals. Bosnia and Herzegovina is also the region's leading exporter of furniture and footwear to the EU, but with shares below 50%.

During the observed 5 year period Macedonia became the region's dominant exporter of catalysts to the EU, and it is also the leading exporter of steel products and garments. The remaining Western Balkan countries did not have a leading position in exports of any of the SITC divisions that include manufactured goods.

5. Conclusions

The EU is the major trading partner of the Western Balkan countries, with the share of around 60% in the region's commodity trade. Manufactured goods prevail in mutual trade; they comprise over 90% of the region's commodity imports from the EU, while their share in the region's exports has been slightly lower (around 85% in 2012), and has declined over the recent period.

Given that industry in the Western Balkans was faced with massive problems during the 1990s, at the beginning of the 2000s the region was unable to offer sophisticated industrial products. Instead, manufactured exports to the EU were based upon unskilled-labor-intensive (garments and footwear) and resource-intensive products (metals, wood, furniture). As economic transition progressed, manufactured production started to modestly recover, but up until the mid-2000s no major changes occurred in the composition of the region's trade with the EU. The significant change was that metals (and in particular steel) became the most important articles of manufacturing industry exported to the EU, which was due to a growing demand in the global market.

The occurrence of the global economic crisis had a negative influence on trade with the EU in the Western Balkans. Particularly, since 2007 when imports of manufactured goods from the EU continued to decrease, while

exports initially declined, but since 2009 a year-to-year growth was reestablished (with the exception of 2012, when decline was again recorded). We have observed that, due to the crisis and the declining exports of steel, the labor-intensive production (in particular garments) regained its relative importance, but it also seems that some other more sophisticated products managed to gain in importance. Namely, shares of certain machinery and transport equipment in the region's manufactured exports to the EU have been steadily increasing. This is in particular true for road vehicles, electrical devices, and industrial machinery, which have managed to become some of the top exported products from the Western Balkans. The tendency of the rising share of machinery and transport equipment seems to have continued in 2013 as well, as is suggested by preliminary data.

As far as some patterns of the region's specialization in the exports of manufactured goods to the EU are concerned, the analysis does not point to favorable conclusions. The fact that in all of the Western Balkan countries garments and footwear constitute a major part of trade with the EU, and that in most of them products such as metals and wood are also important, leads to the conclusion that the region continues to be specialized in the exports of unskilled-labor and resource-intensive products. When more sophisticated products, such as machinery and transport equipment, are considered, their exports to the EU, as well as their share in the value of the total manufactured exports to the EU, have increased over the previous couple of years. The highest shares in that regard have been recorded in the cases of Serbia and Croatia, which are the region's main exporters of machinery and transport equipment. However, despite the growing importance of such products in most of the Western Balkan countries, we cannot observe a common pattern for the region as a whole, since each country seems to be specializing in distinct types of production.

Acknowledgments: The authors would like to acknowledge the financial support of the Ministry of Education, Science and Technological Development of the Republic of Serbia (research projects 47009 and 179015).

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Tables and figures

Table 1.
Average annual growth rates (in real terms) of the Western Balkans' exports and imports with EU27, in %

	2001-2012	2001-2007	2008-2012
Exports	6.8	11.2	2.0
Imports	4.4	9.0	-3.5

Source: authors' calculations based on the Eurostat databases *DS-018995* and *prc_hicp_aind.*

Table 2.
Share of manufactured goods in total commodity trade between the Western Balkans and the EU

	2007	2008	2009	2010	2011	2012
Export	89%	91%	87%	86%	86%	85%
Import	94%	93%	93%	94%	92%	92%

Source: authors' calculations based on the Eurostat database *DS-018995.*

Table 3.
Shares of top five SITC divisions of manufactured goods exported from the Western Balkans to the EU, 2007-2012

2007		2008		2009		2010		2011		2012	
67	13%	67	13%	84	13%	84	11%	84	10%	84	10%
84	12%	84	12%	67	7%	67	10%	67	9%	77	8%
68	8%	68	7%	77	7%	77	8%	77	7%	68	6%
85	6%	77	5%	85	6%	68	7%	68	7%	85	6%
77	5%	85	5%	68	6%	85	6%	85	6%	67	5%
45%		42%		40%		41%		39%		36%	

67-Iron and steel, 68-Non-ferrous metals, 77-Electrical machinery, apparatus and appliances, 84-Apparel and clothing accessories, 85-Footwear
Source: authors' calculations based on the Eurostat database *DS-018995.*

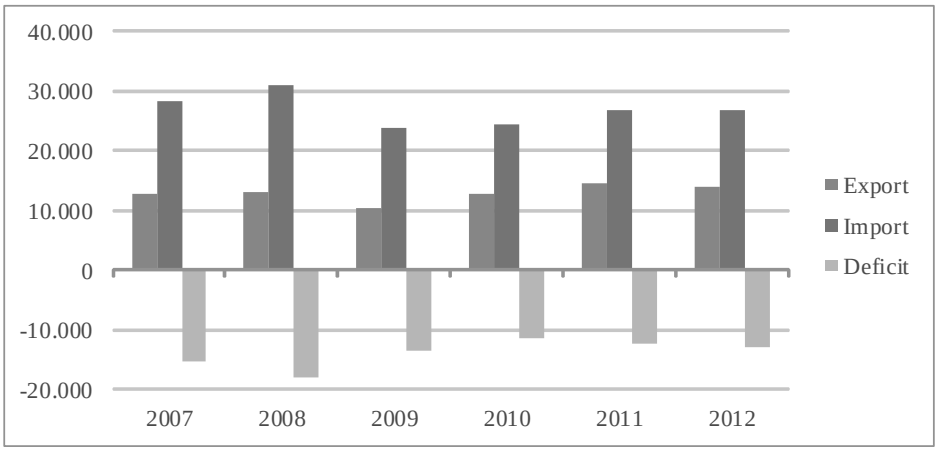

Figure 1. Commodity trade between the Western Balkans and the EU, EUR mill., 2005=100. Source: authors' calculations based on the Eurostat databases *DS-018995* and *prc_hicp_aind.*

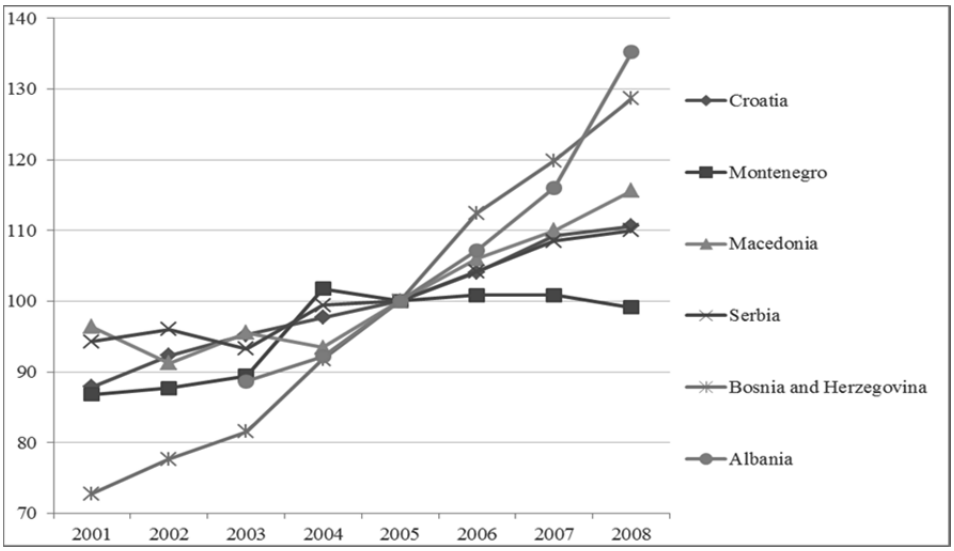

Figure 2. Industrial production index in the Western Balkans countries, 2001-2008 (2005=100). Source: authors' calculations based on the Eurostat database *sts_inpr_a.*

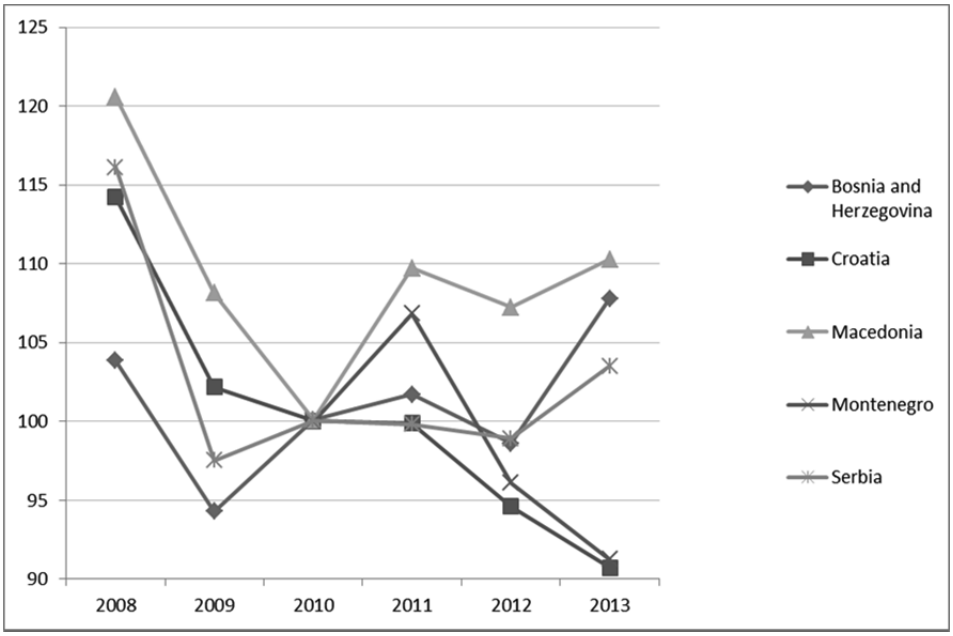

Figure 3. Manufacturing production index in the Western Balkan countries, 2008-2013 (2010=100).Source: authors' calculations based on the Eurostat database *sts_inpr_a*.

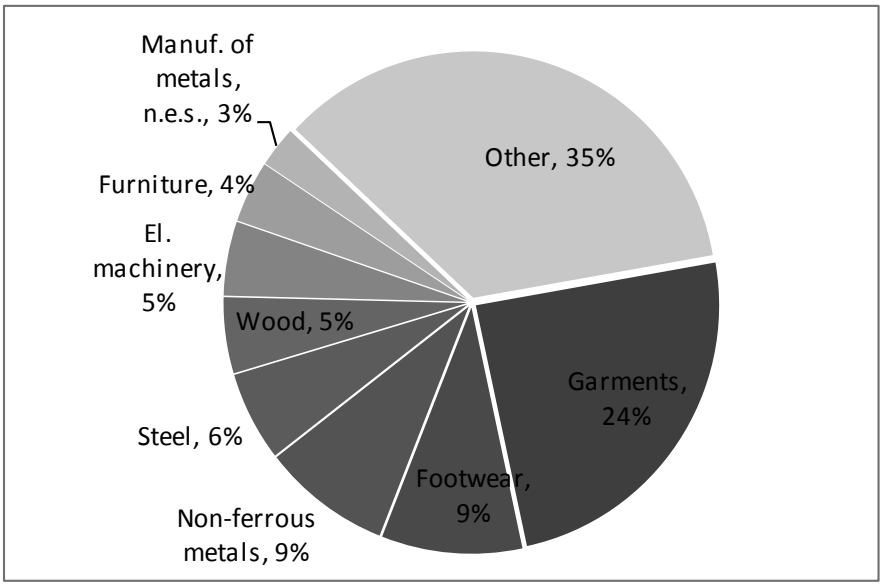

Figure 4. Composition of manufactured exports from the Western Balkans to the EU in 2001, according to the SITC divisions. Source: authors' calculations based on the Eurostat database *DS-018995*.

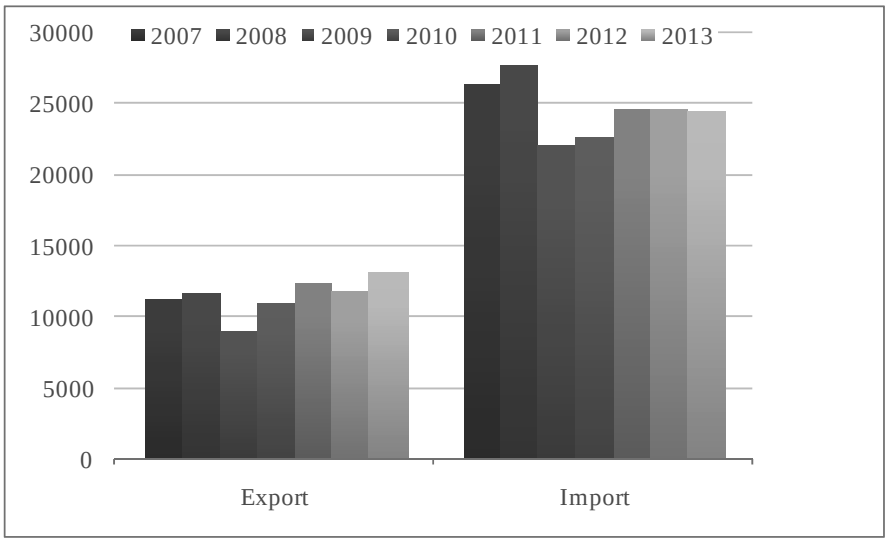

Figure 5. Trade in manufactured goods between the Western Balkans and the EU, EUR mill., 2005=100. Source: authors' calculations based on the Eurostat database *DS-018995*.

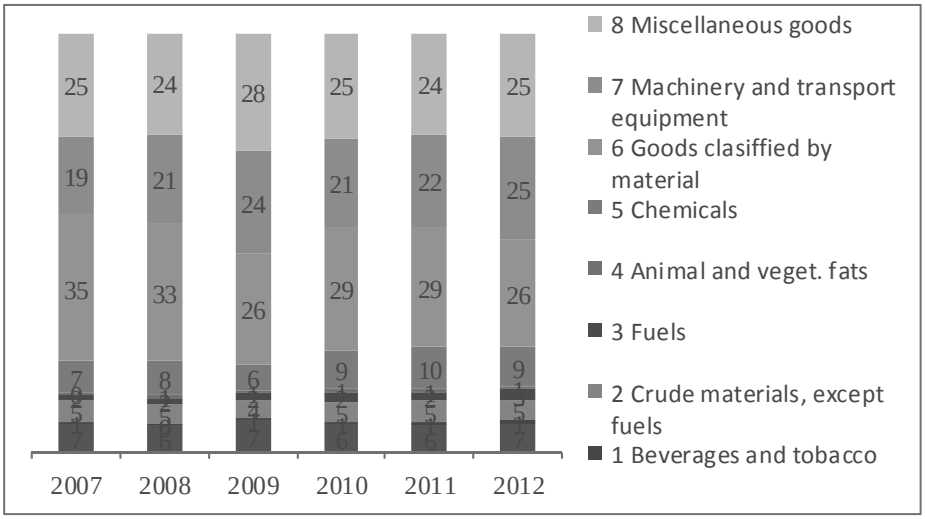

Figure 6. Composition of manufactured exports from the Western Balkans to the EU according to the SITC sections, 2007-2012. Source: authors' calculations based on the Eurostat database *DS-018995*.

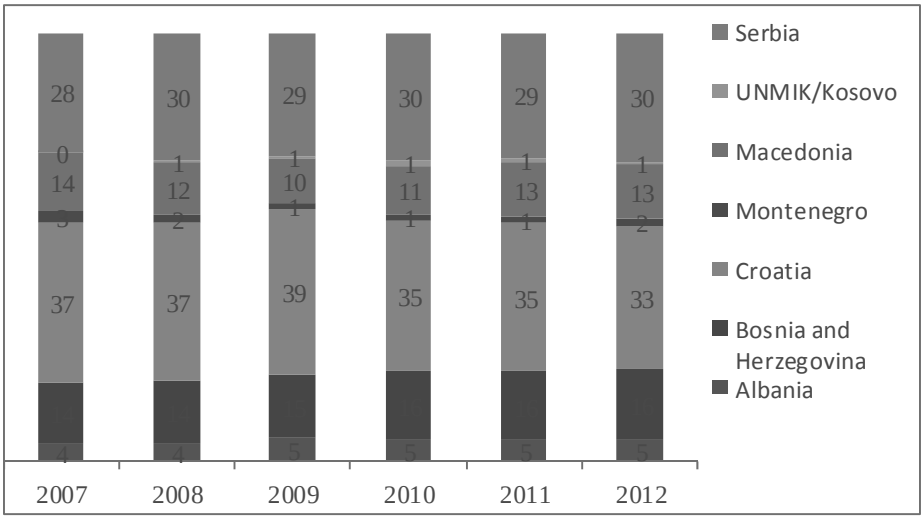

Figure 7. Shares of individual countries in the Western Balkans' manufactured exports to the EU, in %. Source: authors' calculations based on the Eurostat database *DS-018995*.

Towards Knowledge-based Economies: Challenges and Perspectives in the Western Balkans

Emilija Tudzarovska – Gjorgjievska

Abstract

The Europe 2020 Strategy was adopted in 2010 as a key strategy for boosting the potential of a European 'smart, sustainable and inclusive economy' in a global multi-polar world. The adoption of this strategy acknowledged the limitations of the EU Lisbon Treaty in addressing the challenges of knowledge-based economies and the lack of political support for delivering economic growth, the supply of jobs, and competiveness and social inclusion. In line with the key goals of the European Union's strategy for growth "Europe 2020," the Western Balkan states confronted their need for national and regional strategies for research and innovation, aiming to increase the impact of research and innovation on economic growth and employment opportunities. However, there are several key challenges which remain to be tackled such as: low business expenditures on R&D, and outdated research infrastructure. With regard to this particular context, this chapter aims to address the key inhibitors to progress of knowledge-based economies and the economic growth in three Western Balkans countries: Macedonia, Bosnia & Herzegovina and Serbia. The comparative data of Macedonia, Serbia and Bosnia offer insights into the key challenges for fostering the progress of knowledge-based economies such as: low company spending on R&D, poor capacity for innovation, and slow university-industry collaboration. The data is based on the latest Global Competitiveness Report 2013-2014 issued by the World Economic Forum and the Western Balkan regional R&D strategy for innovation. The aim of these comparative perspectives is to emphasize the importance of the need for strong governmental support towards the implementation of national, regional and supranational policy instruments and mechanisms as well as the need for good governance and a platform for developing smart, sustainable and inclusive economies, based on knowledge. In conclusion, a number of policy recommendations are offered, based on the provided comparative indicators.

Keywords: knowledge-based economy; Europe 2020 strategy; research and development; innovation, globalization, university-industry collaboration.

Globalization and the Knowledge-based Economy

The development of the knowledge-based economy and globalization has been seen as a closely related process in the 21st century. Firms and enterprises have started to see the value of creating a knowledge economy by exploring and integrating the assets of innovation, R&D and human capital. Consequently, people and knowledge workers have become the heart of knowledge-based economies, serving as a key pre-requisite for any kind of growth or sustainability of societies in an era of globalization, rapid innovative industries, progressive economic transformations and close, mutually interdependent states and people. In such a context, the role of both Governmental and non-Governmental actors largely impacts upon the development of a platform for knowledge-based economies, as a modern concept of smart, inclusive, competitive and sustainable economies, based on knowledge and a highly productive and competitive work force.

In such a global context, the Europe 2020 Strategy has been adopted in order to address the challenges of globalization, the demands of competitiveness and the need for economic growth. Adopted in 2010, this strategy serves as the key mechanism for creating a European 'smart, sustainable and inclusive economy' in a global multi-polar world. The acknowledgment of the new geopolitical and geo-economic challenges, such as the rise of the emerging economies, has encouraged European states to rethink their own national strategies for meeting the challenges of globalization and the transformations of economies based on knowledge.

As such, the Western Balkans have been confronted with both, global and EU demands to transform their societies and economies into modern, inclusive and sustainable entities and to launch themselves as potential EU member states and equal contributors to the global market. Consequently, the process of creating sustainable platforms for the progress of national and regional knowledge-based economies should be seen as a complex process which needs to be addressed from both a political and economic perspective. This chapter therefore aims to emphasize the importance of the practices of good governance as an integrated part of the states' efforts to move themselves forwards into becoming knowledge-based economies.

Theoretical Background

The early framework of the post-Keynesian and neo-classical economic model of "growth economies" outlined the primacy of impersonal, disaggregated private markets, driven by the interactions of individual firms or consumers. In the following years, it was Robert Solow who added technology and innovation as a critical element of economic growth. Then Lucas advanced this approach and introduced the understanding of "human capital" as a certain including both intellectual capital and technical and scientific knowledge (Olssen & Peters, 2005). However, for a period of time, knowledge and technology were considered as having only an external influence on production. Then the OECD emphasized the idea that economies are actually much more heavily dependent upon knowledge production, distribution and use than ever before. This was summarized as follows: "OECD science, technology and industrial policies should be formulated to maximize performance and well-being in 'knowledge-based economies', economies which are directly based on the production, distribution and use of knowledge and information. This is reflected in trend in the OECD economies towards growth in high-technology investments, high-technology industries, more highly-skilled labor and associated productivity gains" (OECD, 1996).

This concept was based on the new theoretical approaches of Shumpeter, Galbraith, Goodwin and Hirschman on innovation, and of Romer and Grossman on new growth theories (Olssen & Peters, 2005). Romer classified education, skills training and knowledge as non-rival goods which could 'diffuse knowledge' through the economy, thereby enhancing competitive and entrepreneurial incentives, which in turn could create new employment opportunities in dynamic sectors and firms, as well as increasing productivity and fostering economic growth (Dolfsma, 2005). Today, this concept has become one of the key economic approaches towards understanding a knowledge-based economy. Within this concept, the theorists of economic growth addressed some aspects of the transformative role of governments alongside the transformation of economies based on knowledge. However, the key role of governments in addressing the challenges of the new interpretations of knowledge and education diffused through society and the economy have been emphasized by Stiglitz, the former chief economist for the World Bank. In 1999, Stiglitz argued that: "Changes in economic institutions have counterparts in the political sphere, demanding institutions of the open society such as a free press, transparent government, pluralism, checks and

balances, toleration, freedom of thought and open public debate. This political openness is essential for the success of the transformation towards a knowledge economy" (Olssen & Peters, 2005).

This implies that the rising power of knowledge and the need for a fast adaptation to global shifts should be seen from both an economic and a political perspective and in this regard, one of the key indicators of a country's readiness to address these challenges is the level of good governance practices.

The efficiency and the implementation of good governance practices in each modern and democratic state can be seen as being a highly relevant aspect for measuring the level of dedication and the ability of governments to cope with the dynamic transformations of economies based on knowledge. Furthermore, the interaction and mutual interdependence between the actors of the knowledge-based economies is largely integrated at a national, regional and supranational level through new market relations in the forms of partnerships, and business cooperation. As a result, the strong, effective and modern management of these demanding processes is an absolute necessity, and, as such should not be challenged by a lack of transparency, poor accountability or an unequal participation of all relevant state and non-state actors. The lack of such practices largely undermines good governance and its forms such as the rule of law, transparent decision-making, and the development of effective public and private partnerships. Consequently, strong leadership, transparent management and responsible governments are extremely necessary if one is to successfully address the transformations of modern economies and societies in accordance with new global impulses.

The Europe 2020 Strategy: Challenges and Perspectives

In 2008, the EU confronted the biggest global and financial crisis of the 21st century. In order to find the best European exit strategy from this crisis, the Europe 2020 Strategy was designed to turn the European Union (EU) into a smart, sustainable and inclusive economy. The aim of this strategy has been to deliver high levels of employment, productivity and social cohesion, thereby setting a new vision for Europe's social market economy for the 21st century (Europe 2020 Strategy, 2010). Aiming to reinforce cooperation in economic policy with a view to promoting sustainable growth in the EU, the Europe 2020 strategy succeeded the Lisbon Strategy (2000-2010), built on the objectives and toolbox of the revised Lisbon Strategy of 2005 (Bongardt et al., 2010). The first Lisbon agenda which was adopted in 2000, failed to reach its goals of

boosting the growth, innovation and employment performance of the EU, due to its excessive complexity and inadequate process (Pisani-Ferry & Sapir, 2006). Consequently, the revised Lisbon strategy adopted in 2005, aimed at placing the accent on national ownership, and adopting a more tailored, bottom-up approach (Ibid.) The implementation of the revised strategy needed to be advanced via the effectiveness of coordination and the degree of political ownership, but Lisbon 2 chose to focus on the ownership problem (Pisani-Ferry & Sapir, 2006). One of the key strategies for a successful implementation required effective coordination and a high degree of political ownerships, seen through three key criteria:

a. Attention devoted to the development of National Reform Programs by national governments.

b. The involvement of respective national parliaments and other stakeholders in the design and adoption of the reform programs (such as social partners, civil society, and follow-up groups).

c. Media coverage surrounding the design and adoption of National Report Programs, and the evolution of public perception (Ibid.)

The lack of involvement of national parliaments, the limited attention received by the media in designing and adopting the National Reform Programs and an overall lack of effective coordination among all relevant stakeholders have also had an impact on the overall success of the Lisbon 2 strategy. Therefore, the Europe 2020 Strategy which succeeds the Lisbon strategy remains to be challenged by the need for effective coordination, partnership and dialogue.

In this regard, the Europe 2020 Strategy set an e priority on reinforcing a vigorous EU policy of economic cooperation, to improve EU competitiveness and to ensure the EU's position among new emerging economies on the global scene, through three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy, and
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion (EU 2020 Strategy, 2010).

Moreover, in order to define the EU position by 2020, one of several EU headline targets proposed by the Commission is that 3% of the EU's GDP should be invested in R&D (Ibid.) In order to catalyze the progress of this and other priorities, the Commission puts forward seven flagships such as the:

- “Innovation Union” aiming to improve framework conditions and provide access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs.
- “Youth on the move” to enhance the performance of education systems and to facilitate the entry of young people into the labor market;
- “A digital agenda for Europe” to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms;
- “An industrial policy for the globalization era” to improve the business environment, notably for SMEs and to support the development of a strong and sustainable industrial base able to compete globally;
- “An agenda for new skills and jobs” to modernize labor markets and empower people by developing their skills throughout the lifecycle with a view to increasing labor participation a better match of labor supply and demand, including through labor mobility (Ibid.)

With regard to these flagships, several requirements have been identified, such as: improving the quality of tertiary and vocational education, strengthening research performances, promoting innovation and knowledge transfer trough the Union, information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help address European and global societal challenges (Europe 2020 Strategy, 2010). Furthermore, the level of success of these reforms is expected to be supported by a solid combination of entrepreneurship, finance and a focus on user needs and market opportunities. Reaching the target of 3% spending of R&D in Europe should come from both, private and public sectors, the private-public partnerships and by reforming national and regional research and innovation systems to foster excellence and smart specialization. Such practices can accelerate job creation and can support the interrelated targets, set with the EU 2020 Strategy.

Moreover, the development of new technologies will boost productivity and raise incomes, not only in the innovating sector itself, but also in other sectors. In addition, according the Coe and Helpman paper of 1995, the investment in R&D will generate international spillovers as R&D in one country has an external effect on the actual productivity of the country itself as well as for its trading partners (Gelauff, & Lejour, 2006). Moreover,

productivity growth in ICT sectors competes with innovations in the organization and upgrading of worker skills, thereby contributing to further productivity growth (Gelauff & Lejour, 2006, see Baily en Kirkegaard, 2004).

Therefore it can be said that innovation is one of the driving forces of research and development, and the character of R&D in Europe needs to be changed whilst R&D spending ought to increase to 3% of GDP with companies performing two thirds of this target, as had been set as a Europe 2020 target. Nevertheless, public and private R&D expenditures in Europe are lagging behind those of the United States, given that GDP in Europe in 2003 stood at 2% by comparison with 2.8% in the United States, whilst the rest of the OECD stood qt 3.1% (Gelauff & Lejour, 2006).

If we are to reach the planned EU targets and boost the potential for research and intellectual capital as the core values of European knowledge-based economies, the priority will be on reinforcing cooperation and implementing joint programming between universities, research and the business community. Moreover, prioritizing knowledge expenditure, using tax incentives and other financial instruments would also be necessary (EU 2020 Strategy, 2010). Another necessary reform is the modernization of the agendas of higher education in terms of curricula, governance and financing, including the benchmarking of university performance and educational outcomes in a global context.

The improvement of the education system is of great importance to economic development and competitiveness. The education system contributes to increasing productivity and boosting innovation, based on the technical competence of an labor-active workforce and the rapid transfer of knowledge from educational and research institutions to various economic activities. In addition, higher levels of education have a positive impact on economic growth. (Krtic, & Stanisic, 2013; The World Bank, 2004). The development of information and communication technologies in the modern condition is of crucial importance in influencing the intensity and dynamics of economic development (Ibid.) Furthermore, establishing a legal framework for the coordination of public works to reduce costs and implement all other relevant EU flagship initiatives, policies, instruments and legal acts is also highly demanding (Ibid.)

Therefore, in order to reach these key priorities and ensure the EU's position in reforming the global order in future, a strong integrated approach to policy design and strong governance in the processes is necessary through the coordination of all relevant stakeholders. The proper management of

targets, resources and human capital is needed as well. Since human knowledge is the core value of competitive knowledge as a key driving force of the knowledge-based economies, mobilizing the citizens in the upcoming reforming process should be the key priority of stakeholders. In order to deliver successful results of the Europe 2020 strategy, a firm partnership and a permanent dialogue needs to be conducted between various levels of government, different national, regional and local authorities, closely associating parliaments, social partners, representatives of civil society, and the media. Such practices not only stand as core democratic values of modern societies, but also stand as an ultimate strategy to reach people potential and to involve the citizens on equal bases. Hence, one of the biggest challenges is to deliver successful reforms through strong political guidance, rather than by technically driven implications.

Western Balkans and the Regional R&D Strategy for Innovation

The renewed emphasis on research and innovation at the heart of the European Union's (EU) strategy for growth and jobs, the Europe 2020 strategy, is also pertinent to the Western Balkans. The global economic and financial crises had also hit the Western Balkans, leaving this region to struggle with stagnant productivity, high unemployment rates and slow economic growth. In addition to their commitments as EU candidate states to fulfill the Copenhagen criteria in order to become full EU member states, the Western Balkans states have both national and regional responsibilities to adapt their economies to the new global shift, in order to boost national and regional productivity, to accelerate competitiveness, increase economic growth and support the supranational efforts of the European Union to maintain the EU 2020 strategy in order to keep within the main course of long-term sustainability. This is why, over the past few years, the Western Balkan states have made several national and joint efforts to foster transformations towards knowledge-based economies and implement the EU 2020 targets. However, many challenges will have to be tackled to overcome the muted potential that is rooted back into the Yugoslav communist past when industrialization was monopolized by the state. Today such an inherited platform is supported by the slow progress of democratic practices and difficulties with the implementation of good governance as core values of modern and highly developed societies.

As a result of this, the Western Balkan economic and political transition in the 1990s also had serious and often negative consequences for

the region's research and innovation sectors. With economic reform dominating the policy agenda, science, technology and innovation policies became a serious priority, as the research capacity deteriorated and links with the productive sector disappeared (Western Balkans regional R&D strategy for innovation, 2013). Due to these policies, the Gross expenditure on R&D (GERD) in the Western Balkans has declined dramatically in the past two decades (Ibid.) In addition, the enterprise sector that emerged from the economic transition of recent decades had had a very little propensity to invest in research and innovation, and the economic liberalization of the 1990s shifted the productive structure of the Western Balkans away from manufacturing, especially those industries that are more likely to invest in R&D, toward the service sector (Ibid.) With this process of "de-industrialization", firms in the region were much less integrated into global value chains thereby limiting the access of local firms to knowledge and market opportunities for innovation (Ibid.)

Therefore, the Western Balkan states have a need and a responsibility to strengthen their research and innovation capacities in order to pave the way for full integration into the EU, as well as complying with EU requirements and standards in key industries. (Western Balkans regional R&D strategy for innovation, 2013) Moreover, a renewed emphasis on research and innovation can enable the region to gradually converge with the R&D and the policy targets set by the EU.

As a result of this and in order to boost the region's innovative potential and research capacity as the heart of knowledge-based economies, in October 2013, the Western Balkans signed the Regional Strategy for Innovation. The first coordinated effort for this strategy was launched by a joint statement in Sarajevo, signed on April 24, 2009, by ministers from the Western Balkan states who were responsible for science and research and the EU commissioner for science and research (World Bank report, 2013). Two years later in 2011, the World Bank signed an agreement with the European Commission (EC) to provide technical assistance for the development of the Western Balkans Regional R&D Strategy for Innovation, which was signed officially by government officials from Albania, Bosnia and Herzegovina, Croatia, Macedonia, Kosovo, Montenegro and Serbia (Ibid.). The aim of this strategy was to strengthen the region's research capacity, enhance intra-regional cooperation, promote collaboration with business sectors, explore the possibilities for financing R&D from EU funding schemes and other external

sources, and help integrate the region into the ERA and Innovation Union (Ibid.)

With this strategy several key reform priorities have been considered, aiming to boost the innovative potential of the countries and the region, emphasizing the priority for increasing investment finances into R&D and promoting collaboration and technology transfers between research institutions and industry (World Bank technical assistance project, 2013).

In order for these goals to be reached, strong policy prioritization, and incentives for performance and coordinated management will be necessary. Moreover, the governance of research and innovation systems should be improved by: broader reforms in education, greater accountability of public policies with the institutionalization of public consultation and feedback mechanisms and stronger regional cooperation (Ibid.)

These goals and challenges are firmly embedded in the national, regional and local priorities in each of the Western Balkan countries and therefore strengthening the governance of national research and innovation policies would be insufficient without the support of the good governance policies. The key characteristics of good governance are: accountability, transparency, implementing the rule of law in practice, responsiveness, inclusiveness, effectiveness, efficiency and being participatory (Graham et al., 2012). The key aspect of good governance is the necessary mediation of different interests in society, in order to reach a broader consensus on issues which are in the best interest of the community, citizens and the society (Ibid.) Such practices are based on balanced cooperation, an open sharing of information and expertise, know-how' or participatory 'experience, openness and dialogue among all involved actors within a relevant and effective legislative framework.

The lack of such practices can inhibit key cooperation among the state and non-state actors which contribute to development of smart, inclusive and sustainable growth and can create a negative impact on cooperation among companies, research institutions, and in university-industry relations. Furthermore, the lack of transparency, accountability or equal participation can create a negative platform that encourages bribery, corruption and inefficient partnerships, regardless efforts by governments to invest in innovation, technologies and R&D or to adopt national and regional strategies. In this regard, strengthening the role of national parliaments and building strong partnerships with: social groups, civil society and citizens or with professional media cover can firmly support the national, regional, local and

individual efforts to bring transformative global changes to the citizens. In addition, joint regional and national efforts are necessary to be further implemented by the Western Balkans states in order to reach the key priorities of both the Europe 2020 goals and to successfully transform its economies based on knowledge and innovation.

The Republic of Macedonia and the Knowledge-based Economy

The regional R&D strategy for innovation, supported by the World Bank and the European Commission was signed by the Republic of Macedonia. Serbia and Bosnia are also signatory countries to this strategy. The strategy combines: the advocacy of national-level policy reforms to improve the impact of research and innovation on economic growth and job creation for the long term; and, joint investments in selected regional initiatives (World Bank report, 2013).

In order for these strategies to be implemented, the enhancement of investment in research and development is needed, while at the same time the transformation of national innovation systems is a necessary prerequisite, in order to transform the research base, public institutions, private sector, market actors, and linkages among them into more effective, coherent, and competitive systems (World Bank country paper series: Macedonia, 2013). In other words, strong political commitment by the governments is crucial in achieving these transformations.

Since independence in 1991, Macedonia has faced a number of economic and political challenges that have heavily influenced the country's R&D activities, such as budgetary constraints and a weak institutional capacity, which have remained major impediments to the development of research and science in the country (Ibid.) Financing for science and research has been very low as has international donor participation in the Macedonian R&D sector (Ibid.)

However, the World Bank report on Macedonia confirms that the country has taken several steps in the last decade to make research and innovation more competitive in order to increase national economic growth. Yet, several challenges still remain, such as the need to generate new sources of competitiveness from the local research base, along with the need to capitalize on knowledge from the skilled diaspora through enhanced linkages (World Bank country paper series: Macedonia, 2013). Moreover, the economic crisis has diminished even further the scientific and research cooperation among universities, scientific institutions, and economic entities (Ibid.)

Otherwise, key challenges to Macedonia's R&D policy include: insufficient infrastructural facilities and institutional infrastructure; underdeveloped mechanisms for transferring knowledge and research in the business sector; an unbalanced distribution of researchers by sector; low investments in applied research and innovation and a low level of private investment in R&D; a low number of young researchers; and an unaccounted brain drain which confirms the lack of capacity to retain talents (World Bank country paper series Macedonia, 2013).

Many of these issues are addressed in the recently adopted National Innovation Strategy 2012-2020 and its Action Plan 2013-2015, adopted in November 2012. Furthermore, in May 2013, a new Law on innovation activity was adopted, defining innovation activity, and regulating the principles, objectives, and subjects of innovation activity (Ibid.) However, an increased budget for the implementation of the action plan is as fundamental to this project, as much as the establishment of the efficient management, administration and supervision of the main operating agencies in the area of innovation and research and the development of technology.

Improvements to the institutional framework which will impact on the implementation of mechanisms in the country is largely correlated with the need for good governance. As suggested within the Action Plan for Macedonia, the ICT and research systems that are competitive and transparent need to be driven by quality recruitment practices and efficient administrative procedures serving the purposes of institutional missions. In line with this, the better governance of universities and public laboratories needs to be achieved through new mechanisms, such as: the greater use of project funding, awarding contracts and grants through competition, the reform of management and the funding of higher education (World Bank report, country paper series: Macedonia, 2013).

Good governance for research and innovation policies means having an integrated and coherent policy-making process in place with stable institutions, and deploying policy agencies that perform according to policy objectives and well-defined implementation procedures. Elements of good governance include policy formulation mechanisms such as consultation identification, monitoring and accountability. However, a fundamental component of good governance is the legal framework for research and innovation activities in which the responsibilities of stakeholders are clearly defined, especially for funding and performing agencies. As such, the role of national Parliament is also highly important in delivering a sustainable legal

framework for the implementation of key governmental policies and instruments.

In order to become more familiar with the overall results that Macedonia is delivering, one of the indicators of the country's performance is the annual competitiveness report delivered by the World Economic Forum and according the findings in this report, the key imminent challenge for Macedonia as well as its neighboring countries is the need to advance its institutional capacity as a platform for advancing the transformation towards knowledge-based economies (World Economic Forum Report, 2012).

According to the same report, with regard to the key priorities of the Europe 2020 strategy for reaching smart, inclusive and sustainable growth, Macedonia "achieves scores similar to its EU candidate peers for its enterprise environment, where the private sector has seen slight improvements in obtaining financial resources since 2010. Improvements in ICT infrastructure, such as mobile phones and Internet bandwidth, have helped the country advance its digital agenda. However, Macedonia faces multiple challenges in the areas of education and training, and innovation and environmental sustainability, since according to the inclusive Europe sub-index, the dramatic rise in youth unemployment has been registered as well as a worsening in labour-employer relations perceived by the business sector and productivity alignment since 2010" (Ibid.) In order to tackle these challenges, Macedonia has identified policy challenges in terms of funding, governance and the reforms needed to make research systems more competitive, and more closely integrated with the ERA in a bid to increase their impact on knowledge-based economies. However, these challenges are also forcing the transformation of the political democratic environment of Macedonia and the other Western Balkan states.

Comparative Perspectives: Macedonia, Serbia, Bosnia & Herzegovina

According the Global Competitiveness Report 2013-2014, issued by the World Economic Forum, Macedonia is ranked in 73rd place with a score of 4.14 out of 148 countries with the highest score of 5.67 going to Switzerland; then Bosnia at 87th, with a score of 4.02 and then Serbia with a score of 3.77, ranked 101 with the lowest place among the EU candidate countries. According to this report, Macedonia performs inefficiently in several key areas which are impacting upon the efficient transformation of economies based on knowledge, innovation, research and development such as: the transparency

of governmental policy making, the efficiency of the legal framework, the country's capacity to retain talent, the country's capacity to attract talent the absorption of firm-level technology, the nature of competitive advantage, capacity for innovation, company spending on R&D, and university-industry collaboration in R&D. Bosnia by contrast to Macedonia, has better results in the fields of university-industry collaboration in R&D and the availability of scientists and engineers, while Serbia has better results than Macedonia and Bosnia concerning the quality of scientific research institutions (See Figure 1.)

Figure 1: Western Balkans (Macedonia, Serbia, Bosnia & Herzegovina) performance in key areas for efficient transformation towards knowledge-based economies, 2013

Country	**Macedonia**	**Bosnia & Herzegovina**	**Serbia**
Firm-level technology absorption	121	93	137
Capacity for innovation	94	108	133
University-industry collaboration in R&D	81	27	104
Availability of scientists and engineers	92	37	85
Company spending on R&D	91	86	133
Transparency of government policy making	47	64	118
Country capacity to retain talent	123	143	146
Country capacity to attract talent	134	140	147

Source: World Economic Forum, the Global Competitiveness Report 2013–2014, 260-261.

As we can also see from the available data, all three countries have low results in firm-level technology absorption, company spending on R&D and the countries' capacities to retain and attract talent. Bosnia is ranked the best by comparison with Macedonia and Serbia concerning university-industry cooperation and the availability of scientists and engineers. Macedonia on the contrary is ranked better than Bosnia and Serbia with regard to the transparency of government policy making. However, these common indicators show that Macedonia, Bosnia and Serbia, are still confronted with the necessity of the practical implementation of their national instruments for a successful implementation of the regional R&D strategy for innovation, and an efficient implementation of national polices for boosting the potential of the knowledge-based economies in a bid to achieve smart, inclusive and sustainable growth.

Conclusion

The general overview of knowledge-based economies, with a focus on the Western Balkans suggests that the contribution of technology transfer in the region is limited, as is reflected for example in the limited interaction between the research and enterprise sectors (Western Balkan regional R&D strategy for innovation, 2013). The research sector in the Western Balkans is characterized by lagging scientific performance, resulting from an insufficient supply of inputs in the areas of: human resources, research funding, facilities and a regulatory regime that does not encourage performance. While scientific performance has been improving, it still lags behind the EU member states and Eastern Europe in terms of both quantity and quality (Ibid.)

It therefore has to be recognized that the recently proposed Action plan for regional cooperation complements, strengthens and builds on national strategies, policies and programs while recognizing that the different levels of development of research systems and their contributions to development, are meant to be firmly embedded in the national, regional, and local priorities every Western Balkan country (Western Balkan inception report, 2013). However, the implementation of the relevant policies should be firmly supported by politically stable and adequately financed support structures (Ibid.)

Necessary transformations and investments are largely needed in higher education institutions, research centers, the development of public-private partnerships, and private company investment in the R&D and ICT sectors, supported by relevant governmental policies, and a wide variety of know-how and expertise in terms of collaboration, communications, involvement, and management, Consequently, innovative collaboration among stakeholders such as: governments, parliaments, social groups, the civil sector, citizens, and the media should be largely improved as well. Prior to boosting the potential of knowledge-based economies, it is necessary to boost the potential of citizens as the core value lying at the heart of knowledge-based economies. In order to strengthen human capital as the main asset of knowledge-based economies, the potential needs of citizens need to be properly managed and implemented.

The transformation of knowledge-based economies is a complementary, largely mutual, interrelated and interdependent process and therefore it cannot be seen only from a scientific perspective. As Pissani-Ferry and Sapir (2006) have commented:

An improved methodology will need to make the evaluation of national programs and policies consistent with the underlying rationale for EU engagement in different areas. In practice, this means a more systematic and consistent comparative assessment of the quality of national policies in areas such as employment, and concrete recommendations to member states for action in areas such as R&D where the rationale is interdependence. The latter would help ensuring that the goodwill shown by EU (candidate) countries in their national reform programs translates into actual deeds for promoting innovation, and that R&D efforts are increased where they have the best potential.

Moreover, transparency in decision-making processes supports the democratic process as it empowers national electorates to review the performance of their own governments and to open up public debates on key areas which have been underperforming. It is therefore recommended that states should strive to adopt minimum standards regarding the involvement of parliaments and the transparency of follow-up arrangements" (Ibid.)

In order to maximize the important role of the innovative economies and to boost the potential of R&D, innovation and technology in driving growth, all European states including the Western Balkans: Macedonia, Serbia, Bosnia and others must fully commit to understanding and contributing to their interplay within the wider knowledge economy. This includes improving the career path for researchers, providing more funding through competitive processes and continuing to strengthen policy co-ordination. Strengthening regional co-operation, especially in co-ordination with the EU, is important in order to reinforce the research and innovation sector. Moreover, its Governments must accelerate its efforts in engaging all relevant non-governmental actors: business communities, academia, the civil sector and media in order to keep pace with the changes of globalization and transitions towards internationalization, digitalization and modernization.

Macedonia, Bosnia and Serbia are facing the challenges of globalization and the changing concept of geopolitics and geo-economics in the 21 century. So, strong governmental will is more than necessary in order to face the challenges of the EU reforming processes as well as global modifications towards a smart and inclusive way of living, acting, thinking and performing. Moreover, the key stakeholders of Macedonia, Bosnia and Serbia need to closely address the recommendations of annual EU progress reports, including the need for the implementation of the rule of law in a much more effective, efficient and comprehensive manner. Such joint platforms and

political openness, dialogue and cooperation can accelerate the democratic maturity of the states in their effort to address diverse economic, political and social challenges. Furthermore, it can create extended opportunities for innovative cooperation, the exchange of experience, expertise and know-how, resulting in a joint consensus on issues which are of high importance to the knowledge-based development of their societies and economies. As a result, the relevant mechanisms for addressing the challenges of global competitiveness can be further developed and a strong service economy can be delivered with efficient industrial, research and academic support. The improvement of the research and innovation systems overall, can impact on economic growth and help to support the modernization of economies based on knowledge.

At the end of the day, the efforts made by countries to transform their economies and societies in line with the EU 2020 priorities and goals require the building of strong partnerships, with strong support for national parliaments and an efficient sharing of experience within the framework of good governance. This can firmly support national, regional and local efforts to bring global changes to their citizens. In order to meet these challenges, strong leadership and efficient management is necessary for implementing the necessary national, regional and supranational strategies for creating smart, inclusive and sustainable economies. The efficiency of the platform of good governance can largely improve supranational, regional and national policies as much as financial investments in reaching the necessary targets which shape the position of states within the competitive global drive towards knowledge, growth and wealth.

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Business in the Era of Creativity and Digitalisation

The Workspace as a Factor of Job Satisfaction in the Banking Industries in Macedonia

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Abstract

The motivation and satisfaction of employees, has been a challenge for businesses and academia alike to explore. One part of the academic world underlines monetary rewards as an extrinsic motivational tool, whilst others say that it has a limited effect on the employees' overall performance and that a well designed workspace environment shows much better results in relation to one's job satisfaction and performance (Ouedraogo & Leclerc, 2013). However, the research carried out in EU companies reveals that although the relationship between the workspace and job satisfaction has been investigated from the perspectives of sociology, psychology, management and medicine, there has been a lack of research from the standpoint of architecture and interior design (Danielsson & Bodin, 2008). Although there is a rising awareness of the importance of this issue among human resource departments in EU companies, knowledge and awareness in Macedonian companies remains unexamined. The aim of this study is to investigate the relationship between the physical workspace environment and the job satisfaction of employees in the banking industry in Macedonia. Using a specially designed survey based on existing research carried out in EU companies, the job satisfaction of employees was evaluated in the context of their workspace. This research also analyzed the architectural characteristics of office buildings, office layout and office décor. The findings show that there is a positive correlation between job satisfaction and the opportunity for the personalization of office space. Designated space for formal or informal meetings also positively influences job satisfaction. Negative correlations were evident between job satisfaction and elements determining a defocus from work. Tenure and satisfaction with office space were also negatively correlated with tenure at the same work station. The results were compared against findings from relevant EU research done in the field, and as a result recommendations have been made on how to increase job satisfaction among bank employees through workspace design.

Keywords: workspace environment, office space design, workplace satisfaction, job satisfaction.

Introduction

The configuration of the contemporary (modern) city silhouette is structured mostly by the modern office buildings which dominate the urban landscape, among which the banks, insurance companies and similar buildings of the finance industries dominate the skyline. They manifest economic strength and a belief in the future, representing themselves as an institutional symbol and urban icon. They very often embody the most developed building technologies in a specific architectural language, positioning them as the most progressive office buildings of the time (Danielsson, 2005). In addition, the inner working environments of these buildings are characterized by a rich and complex structure of spaces in order to fulfill the complex needs of the organizational diversity of a bank's workforce divided into numerous departments, creating a rich social life in each building, thereby enhancing and supporting encounters and interactions between all users of the space. As in many other industries, human resource management, especially employee satisfaction and motivation, is considered to lie at the heart of all development processes in the banking industry. Employee job satisfaction becomes even more important if we consider its influence on the quality and level of service delivered to customers. Researchers advocate that high quality customer service is delivered by employees who have experienced higher levels of job satisfaction (Kakkos et al., 2010). Unfortunately, the competitive scenario of today's banking business results in deteriorating social conditions in companies thereby undying low job satisfaction and employee turnover. These conditions were especially evident at the time of the European financial crisis, resulting in budget cutting, freezes in the hiring of staff, employee downsizing and a lack of development funds and opportunities (Shukla & Sinha, 2013). Therefore an understanding of the determinants of employee job satisfaction is vital against the restrictions that have been brought about by the adverse effects of the economic crises.

Apart from the political challenges, the last 25 years of independence of Macedonia, have also brought many changes to its banking sector. The Macedonian banking system currently consists of 18 private banks, 9 savings houses and the State owned Macedonian bank for development and promotion. More than 60% of total market activities are conducted by three banks. Another characteristic is that the local banks have recently been acquired by foreign investors, namely the Dutch-owned Demir-Halk Bank with over 60% of the shares of Export and Credit Bank AD Skopje and by

Steiermaerkische Bank und Sparkassen AG, from Austria with 100% of the shares in Investbank AD Skopje. As has been the case in many other countries in the world, the trends of globalization and liberalization have lead banks to create a more competitive approach in their everyday business activities. This included the introduction of new technology such as e-banking services, ATM machines and other technological changes that also resulted in a change in the patterns of work of the typical bank employee. In the light of the above, this chapter aims to investigate the relationship between employee job satisfaction in the banking industry and their workspace characteristics.

Literature Review

Job satisfaction is the most researched subject in the organizational behavior field of study. Increased academic attention paid to employee satisfaction results from the shift from manufacturing to service industries within developed countries in the last 20 years, thereby transforming the factory worker into a knowledge-based worker (Sousa-Poza & Sousa-Poza, 2000).

A review of the literature reveals a variety of definitions of job satisfaction and its determinants. According to Locke (1969) job satisfaction is defined as: "a pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values" (p. 316). Robbins and Judge stated that job satisfaction is more an attitude than behavior and they define it as a "…positive feeling about one's job resulting from an evaluation of its characteristics" (Robbins & Judge, 2009, p. 65). The factors that determine job satisfaction include the perception of the job itself, relationships with colleagues and supervisors, feelings of job security, self-accomplishment and self-fulfillment, satisfaction with salary, and opportunities for promotion and advancement (Weis et al., 1967; Robbins & Judge, 2009). However in some cases a low level of job satisfaction can be attributed to a disconnection between what one expects and what one receives (Robinson and Rousseau, 1994). More specific factors that depend on personal traits are opportunities to learn and enhance work skills, being recognized for one's work and an opportunity to advance within the organization while achieving greater autonomy (Diala & Nemani, 2011, p. 829) Also they presumed that job satisfaction is much influenced by:

- Personality traits which workers bring to work
- Extrinsic values that come from outside individual, physical and financial resources, and other conditions that affect the environment in which people work
- Intrinsic values are structured from elements such as job responsibility, a feeling of achievement, growth potential, self-esteem, challenging work, and a sense of belonging
- Working conditions represent the quality of the work environment where employees spend most of their time outside the home. This includes other work situations that are used to determine job satisfaction, such as interactions between management and employees, the provision and availability of the necessary working tools and other resources for performing work tasks, and sick leave (Diala & Nemani, 2011).

The determinants have been analyzed in terms of the demographic characteristics of employees. For example, many studies carried out across different industries have found that female workers tend to experience higher levels of job satisfaction by comparison with male workers (Oshagbemi, 2000; Bender, Donohue & Heywood, 2005). By contrast, another stream of academic research finds that men are more satisfied than women with their jobs (Crossman & Abou Zaki, 2003; Okpara, 2006). However this difference in gender segregation regarding job satisfaction could be the result of different factors that range from cultural conditions (gender restricted access to labor market) to workplace opportunities (such as job flexibility, or extended maternity leave) (Bender et al., 2005). Research has also found that job satisfaction increases with age and tenure in the organization (Lee & Wilbur, 1985; Bedeian, Ferris & Kacmar, 1992). Older employees and those who have spent more time in the organization, tend to experience higher levels of job satisfaction by comparison with younger employees and employees who were new to the organization. Regarding the relationships between job satisfaction and company size, research suggests that job satisfaction is lower among employees working in larger companies. This can be attributed to weaker employee-manager relationships, as well as to inflexibility in the working environment that characterizes larger workspaces (Gazioglu & Tansel, 2002). Bluyssen, Aries, and Dommelen (2011) indicate that most European or even world-wide organizations, confirm that work as well as living space, could have a major influence on people's well-being. Building conditions are refer to comfortable temperatures, air quality, natural and artificial lighting, moisture,

mould and noise. The conditions of interior design refer to both primary interior elements: such as the structure of architectural elements, the shape of the office plan, and office layout; as well as secondary interior elements, such as: the design of furniture systems, the color of interior space and its elements. Also elements of architectural décor play a great role in the design of the interior as a whole.

Job Satisfaction and Workspace Design

People spend many of their working hours at their workstations, which raises the possibility that the physical conditions that they are exposed to will influence their overall level of job satisfaction. A review of the literature reveals that people who live in industrialized countries spend approximately 90% of their time doing indoor work. The physical work environment, such as office space and workstation design, is provided by management for the employee, and can therefore be considered as an expression of management's attitudes towards the employee. Newsham et al. (2009) consider this has a two way relationship – the satisfaction of the employee with his/her workstation and office design could contribute to higher satisfaction with the job as with other aspects of the employment relationship.

Although job satisfaction has long been the focus of attentions for researchers in organizational science, the relationship between workspace design and job satisfaction is less prevalent in the literature. One of the earliest studies investigating this relationship was carried out in the field of environmental psychology by Sundstrom (1986) and examined the effect of workspace design on individuals, with a special focus on offices. Special attention has been given to the outcomes such as job satisfaction, job performance and the assessment of symptoms of sick building syndrome –SBS (such as headaches, fatigue, a stuffy nose, and weakened eyesight) (Brasche, Bullinger, Morfeld, Gebhardt, & Bischof, 2001; Chao, Schwartz, Milton, & Burge, 2003). Apart from environmental psychology, there are three other fields of research dealing with working environments and their impact on workers. These are: organizational-oriented research; occupational health and architecture. Although the last of these fields has been studied less, all other fields recognize and understand the important role of architecture in organizations and its impact on workers.

Besides its impact on job satisfaction the nature of the work is an important factor that influences office design, so that the assumption is: a better workplace environment produces better job results and increased productivity (Hameed & Amjad, 2009). Wineman and Adhya (2007) examined the relationship between psycho-social measures and a set of objective measures of the spatial layout of the office. Their questionnaire survey and correlation analyses on job satisfaction scale and various psycho-social scales show that high levels of job satisfaction are associated with positive perceptions of other aspects of the workplace such as privacy, interaction support, a sense of community and autonomy (p. 7). In line with these findings, other researchers have also found that the physical elements of the workplace contribute to a reported level of job satisfaction. In the example low indoor air quality and a low room temperature is found to contribute to an increased prevalence of self-reported SBS symptoms and absenteeism (Aaras, Horgen, Bjorset, Ro & Walsoe, 2001; Brasche, Bullinger, Morfeld, Gebhardt & Bischof, 2001; Stenberg, Eriksson, Hoog, Sundell & Wall, 1994).

Methodology

The main objective of the study was to analyze the determinants of job satisfaction among bank employees in three major banks in the Republic of Macedonia with regards to the architectural characteristics of their work-place environments. The questionnaire used was self-administered and was completed by 179 employees in three major Macedonian banks. All questionnaires were anonymous and the banks were clearly informed that the information would be used for scientific purposes only. The whole survey was administered over a period of three months.

Questionnaire

The questionnaire used for the survey was a quantitative questionnaire, which was built upon questions used in other relevant academic surveys that analyzed job satisfaction and the spatial characteristics of workspace. The questionnaire consisted of two main sections. The first section consisted of questions that gathered socio-demographic information from the survey participants and the nature of their job (age, gender, *tenure*-time spent working at the current work station, and *supervision*-does employee supervise others?). The second part of the questionnaire contained questions related to

the overall experience of job satisfaction felt by employees, and the characteristics of their workstation which was analyzed through four variables. The first variable *defocus* – consisted of seven items that measured exposure to noise and visual distraction that defocused the employee from his/her work; the second variable *temperature* – consisted of two items to asses the perception of temperature levels in the office; the third variable *meetings* – consisted of three items and assessed the opportunity to organize formal and informal meetings in the building, as well as the opportunity to meet other colleagues while moving through the building; the final variable *personalization* – consisted of one item and evaluated the opportunity for the employee to personalized his/her own working station.

Analysis of Data

Several tests have been utilized for the analysis of the gathered data. First t test analyses were used to estimate differences in the level of job satisfaction with regards to gender and the opportunity for office personalization. ANOVA was used to test for differences in the level of reported job satisfaction among bank employees with regard to the time they spent working at the same work station. Secondly, the Pearson correlation coefficient was calculated for overall job satisfaction and the four variables representing the characteristics of the workstation. Finally, a multiple regression analysis was conducted using six predictors for job satisfaction (the four previously outlined variables together with gender and tenure).

Results and Discussion

The survey was administered among 179 bank employees in the Republic of Macedonia. The majority of respondents were female (61%). Only 11.7% of employees worked in an individual office, followed by 31.3% of employees who worked in shared offices. The majority of respondents in the survey were working in ocean style offices (57%).

The results from the independent sample t-tests shown in Table 1, indicate that there is not a significant difference in the level of job satisfaction between male and female bank workers in Macedonia ($p>0.05$). The analysis also shows that the mean level of reported job satisfaction among women is 3.79, similar to that reported by male workers (3.69). These findings differ with the research literature which found significant differences in levels of job

satisfaction experienced by men and women (Forgione & Peters, 1982; Oshagbemi, 2000; Bender et al., 2005; Sharpio & Stern, 1975; Crossman & Abou Zaki, 2003; Okpara 2006)

Table 1 – Level of job satisfaction among males and females (results from independent samples t-test)

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
JS	Equal variances assumed	1,623	,204	,680	174	,498	,109	,160	-,207	,425
	Equal variances not assumed			,658	127,101	,512	,109	,166	-,219	,437

The research also asked respondents whether they were provided with an opportunity to participate in office space planning and organization. The results from the t-tests suggests that there is a significant level of difference in the level of reported job satisfaction between employees who were provided with the opportunity to participate and those who were not asked for their opinion (Table 2).

Table 2 – Level of job satisfaction with regards to opportunity for office personalization (results *from* independent samples t-test)

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
JS	Equal variances assumed	9,781	,002	-1,489	89	,140	-,337	,226	-,786	,113
	Equal variances not assumed			-1,391	58,679	,170	-,337	,242	-,822	,148

The research results using ANOVA showed that there is a significant difference in the level of reported job satisfaction among bank employees and the time they spend working at the same work station ($p<0.05$). From the total number of employees who worked between one and five years (N=104) at their current work station, 65,4 % experienced a positive level of reported job satisfaction. From the group of employees who worked between six and ten years at the same workstation (N=43), 65% experienced a positive level of

job satisfaction, while 16% had reported a negative level of job satisfaction (Table 3). These findings do not completely agree with the analyzed literature. These survey results demonstrate that younger employees have very high levels of job satisfaction. These can be attributed to their enthusiasm or the opportunity of participating in workplace design (Lee & Wilbur, 1985; Bedeian et al., 1992).

Table 3 – Cross tabulation of job satisfaction and time spent working at the current workstation

Cross tabulation	**Job satisfaction**					
Tenure at current workstation	Very Low	Low	Neutral	High	Very High	**Total**
Less than 1 year	0	0	3	9	8	**20**
1-5 years	4	8	24	46	22	**104**
6-10 years	3	4	8	18	10	**43**
11-15 years	0	0	4	3	0	**7**
16-20 years	1	0	0	0	0	**1**
More than 20 years	0	0	1	0	0	**1**
Total	**8**	**12**	**40**	**76**	**40**	**176**

The results reported in Table 4, represent the significance of correlation among the variables, by summarizing the values of the Pearson Correlation coefficient. The results from the analysis indicate that at a 5% significance level, job satisfaction is positively correlated with the variable communication which encompasses the spatial opportunities provided by the bank facility to organize formal and informal meetings and meet with colleagues. In addition, job satisfaction is negatively correlated with the variable defocused (which encompasses the noise and visual distractions experienced by the employees while working at their workstation). At a 1% level of significance, job satisfaction is positively correlated with the variable personalization (which encompasses the opportunity for the employee to decorate his/her workstation).

Table 4 – Correlation matrix of job satisfaction and working conditions

Correlations

		JS	Defocused	Communication	Personalization	Temperature
JS	Pearson	1	-,263*	,302**	,18 *	-,104
	Sig. (2-tailed)		,00	,000	,01	,171
	N	17	17	17	176	176
Defocused	Pearson	- **	1	,001	-,052	,266**
	Sig. (2-tailed)	,000		,989	,49	,000
	N	17	17	17	179	179
Communication	Pearson	,302**	,00	1	,30 **	-,016
	Sig. (2-tailed)	,000	,98		,00	,833
	N	17	17	17	179	179
Personalization	Pearson	,181*	-,052	,303**	1	-,124
	Sig. (2-tailed)	,017	,49	,000		,098
	N	17	17	17	179	179
Temperature	Pearson	-	,26 *	-,016	-,124	1
	Sig. (2-tailed)	,171	,00	,833	,09	
	N	17	17	17	179	179

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The results of the regression analysis for job satisfaction are presented in Table 5. The multiple regression model with all six predictors produced R^2 = .178, F(6, 178) = 6,103, p < .001. As can be seen in Table 1, the defocused and communication variables had significant regression weights. The multiple regression results showed that the coefficient *defocused* had a significant negative weight (CI 95%; -0.408 - -0.094) which is in line with its sign from its correlation with job satisfaction. Its value is 0.252 indicating that it can change the reported level of job satisfaction by approximately 25.2%, after controlling for other variables in the model. On the other hand, the coefficient communication is significant at 5% level (CI 95%; 0.125-0.475) and it contributes 29.9% to the job satisfaction of bank employees, after controlling for other variables in the model. The Personalization, Temperature, Redesign and Tenure variables, were not statistically significant and did not contribute to the multiple regression model (p>0.05).

Table 5 – Results of multi-regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,422 [a]	,178	,149	,953

a. Predictors: (Constant), Tenure, Personalization, Redesign, Defocused, Temperature, Communication

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33,288	6	5,548	6,103	,000[a]
	Residual	153,621	169	,909		
	Total	186,909	175			

a. Predictors: (Constant), Tenure, Personalization, Redesign, Defocused, Temperature, Communication

b. Dependent Variable: JS

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,600	,542		6,642	,000
	Defocused	-,252	,080	-,232	-3,160	,002
	Communication	,299	,089	,251	3,344	,001
	Personalization	,072	,067	,079	1,071	,286
	Temperature	-,021	,081	-,019	-,263	,793
	Redesign	-,013	,147	-,006	-,091	,928
	Tenure	-,158	,097	-,119	-1,632	,105

a. Dependent Variable: JS

Conclusions and Recommendations

The aim of this study was to analyze how workspace design determines the level of job satisfaction among 179 employees in the Macedonian banking industry. The research found that there is not a significant difference in the level of job satisfaction between male and female bank workers in Macedonia, while a significant level of difference was found in the level of reported job satisfaction between employees who were provided with the opportunity to participate in their workspace design and those who

were not asked for their opinion. In addition the study found a significant difference in the level of reported job satisfaction among bank employees and the time they spent working at the same work station. Employees who had been in the company between one and five years demonstrated the highest level of job satisfaction. The analysis of workspace determinates of job satisfaction, suggested that factors that decreased the attention focus of employees (such as noise and visual disturbances) decreased the level of job satisfaction; while workspace opportunities for formal and informal meetings increased the level of job satisfaction reported by bank employees. These findings were in line with other studies carried out across different industries in Europe. This research is the first of its kind to be carried out in the Republic of Macedonia, and future research attempts should provide information that would contribute to a better understanding of the determinants of any workspace that create the highest level of job satisfaction.

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The Development of the Information Technology Market and its Use by Albanian Business

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Abstract

Information technology has become a key priority of the 21st Century, and its transformative power has become a major enabler for economic and social growth. IT therefore provides an essential tool for empowering people, and creating an environment that nurtures technological and service innovation, whilst triggering positive change in business processes as well as benefitting society as a whole. This theoretical chapter describes the evolution of the IT market in Albania, with a focus mostly on the business implementation of IT. The Global Information Technology Report is analyzed and taken into consideration for providing a general point of view on IT usage in Albania. The results of a questionnaire that has been conducted among different types of businesses demonstrate different approaches towards IT implementation in Albanian businesses. By applying mainly quantitative research analysis, we show that Albanian businesses will have to use more IT in order to improve their business processes.

Keywords: Information technology, business processes, market, Albania.

Introduction

Information sharing through information technology (IT) and the media has become a central resource in the knowledge-based production of goods and services involving suppliers, producers, information providers and information users (Low, 2000). Today, most organizations in all sectors of industry, commerce and government are fundamentally dependent on their information technology. IT, however, not only has the potential to change the way an organization works but also the very nature of its business (Galliers, 1989). Through the use of IT to support the introduction of electronic markets, buying and selling can be carried out in a fraction of the time, thereby disrupting conventional marketing and distribution channels (Malone et al., 1989).

Today communication networks are essential for all areas and sectors in societies and economies in developed and emerging countries. As a result IT has become a kind of "inevitable luxury", and at the same time it creates a feeling of "cargo cult" – people begin to think that simply by using computers problems will be solved (Harris, 1998). They are bringing people together worldwide and enabling global cooperation. Private activities, most business processes and public administrations are based on the availability of reliable communication networks. On a more strategic level, IT may also be passed from an organization to its suppliers or customers in order to gain or provide a better service (Cash, 1985).

Nowadays the Global Internet is a major driving force for the further development of communication networks. The widespread introduction of mobile and wireless communication more than 20 years ago has provided access to global communication to a fast increasing number of users, which helps emerging economies to grow and to improve the life of their citizens. Many services and applications are based on the Internet. Critical infrastructures such as energy, gas, water, traffic, and health are becoming increasingly dependent on information and communication technology (ICT). As such, IT has become a critical infrastructure for all modern societies and economies. It is a key enabling technology for all sectors and is making other processes and the use of resources more efficient. In particular, in developed countries we see that the political visions with regard to IT are often too dependent on the individual visions of particular leaders.

In this chapter, both "Information Technology" (IT) and "Information and Communication Technology" (ICT) are used as terms, although the main

focus is on IT. Information technology is a term that encompasses all forms of technology used to create, store, exchange and use information in its various forms (business data, voice conversations, still images and other forms, including those not as yet conceived). It is a convenient term for including both telephony and computer technology in the same word. ICT, by contrast, is a term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems, as well as the various services and applications associated with them, such as video-conferencing and distance learning. The two terms are very similar and in most cases ICT can be seen as an extended synonym for IT. The main difference between them is that IT is more widely used within industry, whereas ICT is applied to the academic and educational side of things and is used in educational institutions, such as schools, colleges and universities. When executing a business, IT facilitates the business by providing four sets of core services. These core services are: providing information; providing tools to improve productivity; providing business process automation; and, providing the means to connect with customers. Currently, IT has become an essential part in business operations and has provided lots of job opportunities worldwide.

This case study reviews the development of IT market and its use by Albanian businesses. Section 2 describes the evolution of the IT market, giving a short overview of this market and industry in Albania. Section 3 examines data about IT usage in Albania**.** Finally, Section 4 provides some conclusions describing the lessons that can be learned and highlights from the experience in Albania.

An Overview of IT Market in Albania: Past, Present and Future

Albania, formerly a closed, and centrally planned state, is making the transition to a modern open-market economy. The country has made significant progress from being Europe's poorest country during 1990s to being reclassified as a middle-income country (MIC). Economic reforms in the first decade of transition were much focused on the areas of privatization, deregulation and liberalization in all sectors of the economy. Even though the implementation of IT had started earlier in the public sector where we may point out the establishment of Center of Computational Mathematics (QMLL) in 1971 and INIMA (Institute of Applied Informatics and Mathematics) in 1986 where, in the same year the first lines of data communication were created

(Beqiraj & Frasheri, 1998). During the years 1992-1994 the private sector was established and that period also marked the beginning of IT usage in the private sector.

Albania began to implement IT in businesses when other countries were in the network-centric phase. This had some advantages, because it was implementing a technology that others were already using and which had been tested elsewhere before. But from the other side of the coin there was no background for this new field, even though the country had some experience from the public sector as mentioned above that provided some help for the new generation of IT staff to adapt. IT usage increasingly gained massive usage, oriented by the sophisticated technology that was in use (Baci, Zoto & Hakrama, 2010).

The Albanian economy is relatively new and efficiency-driven. Research conducted by the World Economic Forum shows that the country has achieved the average values of all indicators, characterizing an efficiency-driven economy. For the past 9 years Albania witnessed stable development. In the period 2004 – 2008 the country recorded around a 6% yearly GDP growth rate and the level of foreign direct investments (FDIs) remained one of the lowest in Eastern Europe. Due to the joint efforts of different stakeholders, such as the government, donors and businesses there has been some significant improvement in Albanian IT over the past 6 years.

The proof of this is that the late annual report (2012) on doing business in Albania identifies IT as one of the main development opportunities for the country's economy. The industry has realized the importance of organizations offering professional services to companies, thus helping them to enhance the quality of their workforce and ensure the best possible positioning of the Albanian IT sector on the regional and international markets. Furthermore Albanian IT organizations are actively involved in attracting investors from the Albanian Diaspora. The mobile penetration in the country is quite intensive; by the end of 2011 the rates were close to 90%. This is one of the highest rates in the region. More than half of the Albanian population is using the Internet. Furthermore there has been a huge progress in the field of public procurement - all services are electronic.

The growth of IT in Albania in these years has come as a result of the socio-economic development of the following:

- The opening up of the market to foreign countries
- An increase in the number of businesses and competition
- Increased cooperation and competition with foreign businesses

- The focus of businesses on the quality of products or services they offer
- An increased number of specialists in the field of information technologies, computer science, electronics, and other computer oriented disciplines, and
- Changing the organizational structure of businesses already having a special department for IT.

The future growth of the IT sector and Albania's potential for competitiveness are strongly supported by the increasing quality of university technical education in the country. Another factor that fosters this development is the expected increase in investments in the country which will lead to an increase in the demand for Information Technologies. Most of the companies working in the IT sector in Albania are not specialized in a particular sector of the market but have two or more activities in their portfolio. For example, very few companies are specialized only in software development, design, system integration, or hardware distribution. As the main market of local companies is mainly the domestic one these companies have to adjust their specializations in wider aspects. Most of their products and services are built upon their customers' requirements, but still they possess and develop their own products and services in different fields.

In recent years, government measures have been introduced to bring Albania up to speed in the Digital Age. The Government of Albania has recognized the need for ICT for greater economic and social development and has not only focused on measures to enhance a greater supply of ICT services but has also made a concerted effort in the last decade to stimulate demand for ICT services, through government and through the development of access to ICT services. Government continues to promote the introduction of IT in various sectors. As such, during 2011 and 2012, the budget expenditure on education, where a particular focus has been given to the introduction of ICT services, was estimated at between 3.4 and 3.8% of GDP. The Government of Albania intends to promote the development of IT in Albania and identify concrete actions to enhance the availability, affordability and accessibility of communications services. Specific measures will be defined to promote roll-out and awareness of the benefits of IT to daily life, work, education, commerce, government, and health, and enhance investment throughout the country.

IT competitiveness indicators, measured through the World Economic Forum competitiveness indexes, position Albania in the middle of those

countries that have been researched (Figure 1, Appendix A). Taking into account the positive trend of the Albanian economy and IT infrastructure development in the last few years one can expect that the country will continue to improve its competitive position in the coming years. Innovation, local competition and the business environment are necessary prerequisites for the further enhancement of the competitiveness of the country.

Data and Methodology

In this section data from the *Global Information Technology Report 2011-2012 and World Economic Forum,* has been used. This data presents different aspects of IT usage in Albania. The methodology used by the authors of the Report was the gathering of data from various international agencies and national authorities that have studied aspects of the IT market, and then comparing the data from the different countries included in the project. Also, a survey was conducted on IT usage in 100 Albanian businesses, taken from a range of small, medium and large firms. The non-responsive ratio was less than 60 percent, because 58 out of 100 questionnaires were returned and analyzed. The aim of this survey is to identify how much the businesses have been using Information Technology and what the trend for the future in this field is. At the same time the results of this survey will show us at which phase of evolution IT in Albania is at. The survey was open to different companies ranging from trading firms, construction firms, tourism firms, and state owned companies or organizations.

The results of the short questionnaires that have been collected will show the different approaches Albanian businesses have taken in implementing IT, including the investments made in IT and the use of software for analyzing, management and marketing. These questions in the survey were made to provide a picture of how the businesses use IT. An important indicator of technology use in organizations is the number of computers. According to the questionnaire, it can be seen what the percentage of organizations is that have at least one computer. As it can be seen by Figure 3, this ratio is very high because about 89% of the organizations have at least one computer. So basic technology is spread throughout the organization. The second question tests if a specific business either has or does not have an IT office. Then the third question takes information about the percentage of the budget which goes to the IT office. The next question tests if their companies or businesses have specialized staff for IT Systems. Another question tests either if a business has

a long-term plan for the implementation and development of IT in their business or not, or if it is planning to have one in the future. The sixth question asks if their company invests in IT or not. The last question tests if a firm has a web site or not.

Figure 2: The level of completed surveys

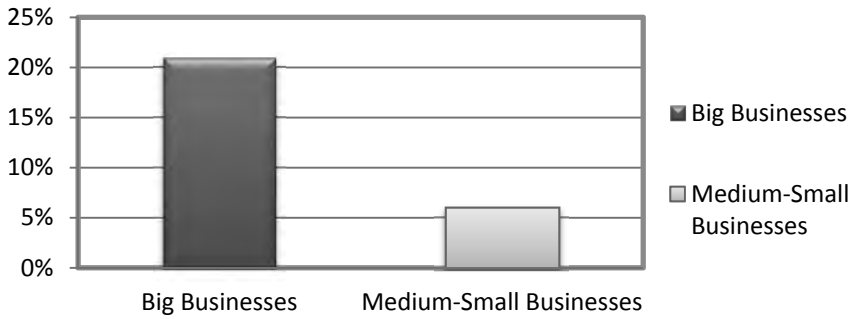


Figure 2 shows in percentage terms the level of completed surveys from the contracted ones. As has been shown, 21% of the big businesses contacted have completed the survey as have just 6% of the small and medium businesses. Even though the number of companies who took the survey was low, the survey can be still be used to gain some understanding of the situation of Albanian IT usage. The low number of businesses that completed the survey shows that the level of knowledge and interest they have in the field of IT is low. Furthermore, we may say that especially in the case of small and medium businesses, their interest in using IT in their daily jobs is very low, this may be related to the costs of implementing IT, so it seems better for them to avoid using it. Big businesses, by contrast, are just using computers for accounting reasons and as a tool for marketing.

In the second question as to whether or not a business has an IT office the result was that 13 companies gave the answer that they have such an office and nearly all of them, with the exception of two were big companies. For the third question, which was about the percentage of their budget they devote to such an office, the answer was around 12%. This parameter shows that the level of the share for big Albanian companies is very low by comparison with other countries. For the question on whether they have specialized IT staff, 14 companies answered that they do have them and all of these were big businesses.

Figure 3: % of firms with computers

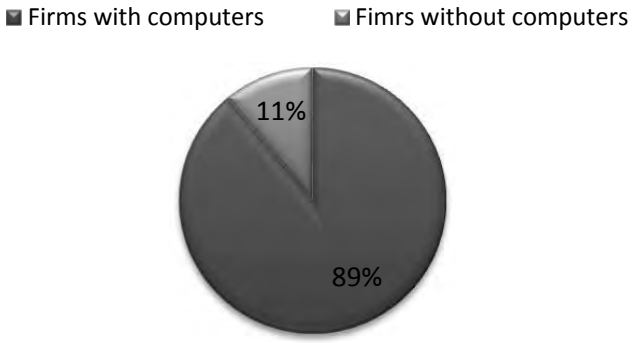
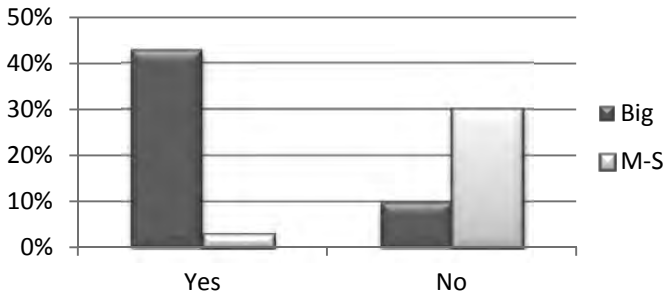
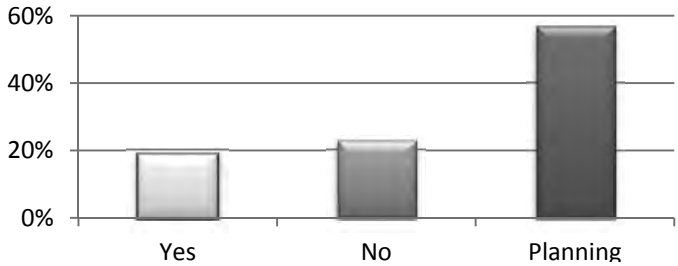


Figure 4: IT office in business



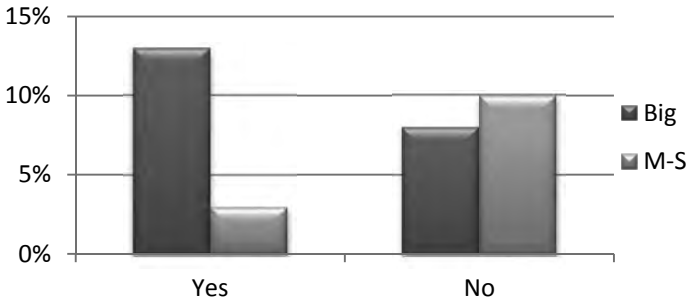
For the next question about the percentage of budget invested in Information Technology, the same number of companies who responded in the affirmative for specialized staff also responded with the percentage, and the average percentage of their budget for that purpose is 8 %. This actually shows that Albania is in the network-development phase, thus helping them to enhance the quality of their workforce.

Figure 5: Long-term plan for the implementation of IT



As can be seen in Figure 5, we see that most of the businesses are not planning to have any implementation of IT in the future. This is related to what data they can do and for a small and medium firm there is no possibility for them to use it. This is due to the fact that it is expensive and needs a lot of human resources in this direction, things that these businesses don't actually have. As for the big companies, it is normal to think that they need to have such plans, to take advantage of the latest techniques and methodologies in the IT sector.

Figure 6: Investment in IT

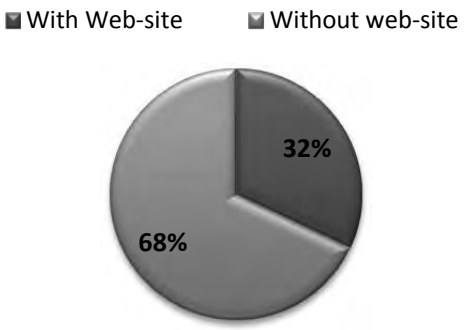


These results show that Albanian businesses are not looking at IT as a tool that will bring any advantages to their every day jobs. Most of the businesses see the investments in IT as being too risky for them and sometimes they just say that for them it is a luxury, but an inevitable luxury that they should take into consideration. Even in the big companies that answered the questionnaire, they don't invest a lot in IT, only the IT related businesses are investing a lot. There should be much more effort by society to

accept IT in their businesses and to be more aware of the advantages that this technology can bring to their businesses.

Another indicator on the use of technology is the number of organizations with Internet connections. Figure 7 demonstrates that there is a considerable number of organizations, 68 % of them, that don't have a web site. This indicator, on the other hand does not show anything about the quality of use of the Internet as well as the benefits of its use for the organizations. There is a need for more investigation from a functional point of view, why and how organizations use Internet services in improving their business processes, and what quality is required from them.

Figure 7: Firms with web site



Conclusions and Recommendations

Information technology has become an important element of modern organizations. The aim of using technology has changed a lot over the years. Now it is important not only to improve efficiency but also to improve business effectiveness and to manage organizations more strategically, through the use of IT. IT can be used not only to reduce costs, but to add value, as well as to share benefits with other interested actors, such as customers, suppliers and third parties. Even if we can say that IT is more important for the entire organization, the innovations should be business-driven, not technology-driven, thereby helping business processes to improve company profitability and goal fulfillment.

Companies in Albania are not exactly in the same situation with regard to the use of technology. They are eager to invest in technology, and have a relatively high dispersion of technology, but problems arise with employees and their skills in using technology. They also use technology more in searching for information or for communications, mainly through outside organizations such as public lines and the Internet, while only a few organizations use IT for adding value to their product or service, and for improving their operations and business processes, in favor of profitability. The benefits of using IT in Albanian organizations are limited in organizational efficiency, especially, in most cases, with regard to cost savings. IT is used less for improving relationships with customers or for fronting competition and building competitive advantage.

The survey results also suggest the same things and even the differences between types of businesses are clearly seen. Small-Medium businesses don't use IT as they don't feel the need for it because of the high cost that it entails, even though it should be said that some of them have started to use this technology and sometimes they use it also as a tool for marketing or other purposes. As for the big businesses, they surely have to use IT, but they invest less in it. The results show that Albania is still in the network-development phase, as we haven't fully implemented IT into everyday jobs, and a lot of investments are needed for this. There is an inevitable luxury that Albanian businesses should take into consideration while using IT, as other businesses may have it and they may use it to a competitive advantage. A lot needs to be done in trying to expand the use of IT, by making business more aware of the advantages of this technology. This will help the businesses and the development of the country by raising their profits.

For this reason it is necessary for the directors of companies to obtain the necessary knowledge about recent developments and the possible applications of information technology in their companies. It is true that there exist initial difficulties in its application, especially for small and medium sized businesses, in relation to high hardware, maintenance and training costs.

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Appendix A

Figure 1: Competitive Indexes and data

COMPETITIVE INDEXES AND DATA[7]

	Population (m)	**GDP $** (b)	**GDP per capita $**	**WEF GCR index** Rank (value)	**GCR innovation** Rank (value)	**WEF GITR** Rank (value)	**E-gov. development** Rank (value)	**E-participation** Rank (value)
Albania	**3,2**	**11,8**	**3,7**	**88(3,94)**	**121(2,57)**	**87(3,56)**	**85(0.4519)**	**86(0.1286)**
Armenia	3,1	9,3	3	98(3,76)	116(2,63)	109(3,24)	110(0.4025)	135(0.0429)
Azerbaijan	8,9	51,1	5,7	57(4,29)	61(3,16)	70(3,79)	83(0.4571)	68(0.1714)
BiH	3,8	16,9	4,5	102(3,70)	120(2,59)	110(3,24)	74(0.4698)	135(0.0429)
Georgia	4,4	11,7	2,6	93(3,86)	121(2,51)	98(3,45)	100(0.4248)	127(0.0571)
Kosovo	1,8	5,6	3,1	n/a	n/a	n/a	n/a	n/a
Macedonia	2,1	9,1	4,4	79(4,02)	97(2,88)	72(3,79)	52(0.5261)	55(0.2143)
Moldova	3,6	5,8	1,6	94(3,86)	129(2,49)	97 (3,45)	80(0.4611)	58(0.2000)
Montenegro	0,6	4	6,4	49(4,36)	45(3,48)	44(4,09)	60(0.5101)	76(0.1571)
Serbia	7,3	39,1	5,4	96(3,84)	88(2,93)	93(3,52)	81(0.4585)	135(0.0429)
Ukraine	45,8	138	3	89(3,90)	63(3,11)	90(3,53)	54(0.5181)	48(0.2571)

Source: World Economic Forum

The Selection of Knowledge Management Software Applications for Attracting New Customers

Ana Ristevska

Abstract

Companies are rapidly computerizing all of their business processes in order to achieve a faster, easier and more accurate execution of their tasks. In addition to business processes and activities, companies need to computerize the knowledge they possess about their potential customers, their characteristics, needs and requests. All of these things can be done by using an appropriate knowledge management software application that helps companies to use their knowledge and information effectively. This kind of knowledge and information can be used as a tool in the process of the production and sales of products that can attract new customers and satisfy their requests. The benefits of using knowledge management software applications in the process of attracting new customers will be explained in this paper. Also a number of knowledge management software applications that can be used for this purpose will be listed. After the theoretical research, practical research will be carried out in companies in the Republic of Macedonia and in some other European countries. The research will be descriptive, within the realms of the case studies method. The sampling will be intentional in order to present chosen companies with different business activities, from different countries that uses knowledge management software applications. Through this research the benefits that different companies can get if they are using this kind of software application should be understood. The aim of this chapter is to contribute in raising the awareness of companies in Macedonia with regard to the potential that lies in their knowledge about their customers and the importance of efficient and effective managing of this material through knowledge management software applications.

Keywords: knowledge management software application, new customer.

1. Knowledge Management Software Application

1.1. Definition and Meaning

Today, all working processes in companies are increasingly computerized in order to obtain a faster, simpler and accurate execution of all tasks. In addition to workflow and activities, companies are beginning to computerize the knowledge they possess as well. This can be done by using the appropriate software that helps companies to effectively use their intellectual capital.

In order for Macedonian companies to be competitive on the domestic market and also on the European market they should understand the need of the proper management of all of their knowledge, information, and documents. Being competitive on the European scene, Macedonian companies would contribute to the integration of Macedonia in the European Union, thereby portraying Macedonia as a country dedicated to progress and business modernization.

Knowledge management software application distributes and maintains the knowledge that a company possesses. The basic principle of any knowledge management software application is to transfer the knowledge in an appropriate and easy to use format to the appropriate person and on time, in order that all the tasks should be completed as soon as possible.

Knowledge management software application is not a software application with a standard size, shape and look. In fact, knowledge management software applications can be very different from one company to another. This is because of the different activities of the companies and the different intellectual capital owned by each company. But whatever the differentiations between the companies, we can say that knowledge management software application within companies can support the generation, storage, updating and distribution of knowledge.

The company's ability to learn and change, and more importantly to learn faster than other companies and to turn learned things into action, is the greatest power of a company (Mašić & Đorđević, 2008). With the help of software knowledge management, a company would be able to make changes in order to transfer knowledge and to improve processes, and to develop new products or services in order to meet the needs of customers, attract new customers and achieve all the company’s goals.

1.2. Types of Knowledge Management Software Applications

Each company, depending on its business activity, can use different types of knowledge management software application. Companies that want to use knowledge management software applications should know that this software solution has to fit and conform with the company's activities and tasks. If a company does not want to buy and use a final knowledge management software product, a company can collaborate with a software developer company in order to create a new knowledge management software application that would suit the company's requests and tasks.

2. Customers and the Importance of Attracting New Customers

Customers are the most important people to every company. They are the most important resource for a company's success (Marketing theory, n.d.).

The consumer is not just a person who buys goods from a particular company. Consumers can be the suppliers of that company, clients that cooperate with the company, or an employee of that company. We can conclude that the consumer is any person or group that buys products from a particular company. All these customers have different opinions, needs and requirements in terms of the products offered by a particular company, and the prices, and way of supply, or post-sale services. All these needs and demands of consumers are of a great importance to the company. The company should pay attention to all of these needs and requirements in order to create suitable actions to meet them. Only by meeting the needs and requirements of customers, can the company keep existing customers and contribute to the increase of their number and the number of orders.

Besides monitoring and meeting the needs and requirements of existing customers, the company should pay attention to their potential customers as well, in order to make further actions to attract them.

The company should realize who their potential customers are and should find a way to attract them. First, that company should get as much information as possible about its customers (Ontario, 2013).

The more information a company has for its potential customers, the faster and easier a company can adapt its products to the needs and desires of the consumers.

3. Knowledge Management Software Applications for Attracting New Customers

The international companies that produce knowledge management software applications are: Oracle, Kana, IBM, Apple, Google, EMC, SAS, Coveo, HP / HP Trim HP Enterprises services, ASG Software solutions, eTouch, Rivet Logic, Nuxeo, Bridgeway Software and others (Top knowledge management software, n.d.).

Some of the knowledge management software solutions that have already been developed are:

- PHPKB (PHP Knowledge Base Software), which is produced by PHP's leading knowledge management software bases, and offers assistance to companies through the support and management of their knowledge bases. PHPKB knowledge management software database provides statistical knowledge that is crucial for decision making in relation to existing and potential customers, and offers a professional view on the use of charts and diagrams that review all the information. The features of this software are especially suitable for companies that have a lot of information. With this software companies are able to process the information for potential customers and adjust their activities based on the processed information.
- SEM Knowledge Management software is produced by a software company called Kana, and it is a knowledge management software that allows access to all customer databases, as well as certain external databases of consumers made by another company or institution. This software can answer on demand estimated by the set of pre- entered contextual specifications. These specifications can be: setting the value of a consumer, type of application, previous experience, or number and type of the order.
- Safeharbor KMS is a software developed by Safeharbor Knowledge Solutions. In the last decade, this software was used by more than 500 companies. It maximizes the management of knowledge in the company. Apart from storing data about potential customers, this software offers several solutions, including: making assessments of work, creating a strategy for attracting new customers, performance testing, analysis and compliance of information and the creation of the best practices in the company in order for the company to meet the demands of the new customers.

- Archivd Research management knowledge software is produced by Archivd. Using this software, a company can collect and present all inquiries from potential customers that are made online. Furthermore they can easily be shared among employees. This software is commonly used by production managers, sales managers and advertising agencies in order to process all the information obtained from the Internet for new customers and to take actions that will contribute to satisfying their needs.
- Dezide Advisor is produced by Dezide and it is web-based software that serves employees and their existing and potential customers. If consumers have any questions or specific requirements, this software provides multiple solutions and answers to their questions. As a result customers get the most beneficial answers in the shortest time.

These and many other software solutions are developed and used by different kinds of companies. Knowledge management software solutions are upgrading all the time in order to satisfy the needs and requests of companies.

4. Practical Research

4.1. Research Aims

This research is a descriptive one, made through the case study method. As case studies, we have different companies from the Republic of Macedonia and other European countries that use knowledge management software applications for attracting new customers. The sampling for the case studies is intentional so that the chosen companies should be ones with different business activities and different needs for attracting new customers. The information for the companies and their experience in using knowledge management software applications are collected by conversations with people who are working in the respective companies.

The purpose of this research is to identify the benefits that different companies get by using software solutions for knowledge management and the ways in which they attract new consumers with the help of the software solutions they are using.

These case studies will present the benefits of using knowledge management software applications from a practical point of view, and these benefits should serve as a motive for other companies that are not using

knowledge management software applications to start using it in order to attract new customers and achieve progress and success in their work.

4.2. Case studies

T-Mobile Macedonia. The best example of a company that uses knowledge management software application is the mobile operator T-Mobile. This company has a knowledge management system that enables continuous updating, storing and transmitting of information from one place to another. This system works with a large database which houses all customer data (current, past and potential), data for all their activities, requirements about buying mobile phones, activities with tariffs, calls and so forth. Through this system, this company performs a continuous exchange of knowledge from one sector to another, and from one branch to another. Also this system is very fast and it easily applies to all customer requests. In this way customers receive real information in real time. This system also helps the company to shape its sales strategy and to meet the needs of all of its consumers.

If the knowledge management software application is up to date and meets the requests of the company, then that company would be able to facilitate its operations to satisfy its customers, attract new customers and get a bigger market share and bigger profit.

The staff in T-Mobile are satisfied with the usage of this software because it contributes to increasing T-Mobile's sales and in increasing the number of T-Mobile customers. The knowledge management system in T-Mobile is not a standard final knowledge management software product but it is made according to the needs and requirements of this company in the Republic of Macedonia.

Cermat Croatia. Cermat Croatia is a company that deals with the production and sales of ice-cream and other frozen food. At its beginning this company did not use knowledge management software applications for collecting and processing information about its customers. Cermat Croatia spent a lot of time and money in hiring an agency for market research in order to get more information about its permanent and potential buyers, their needs and wishes regarding the products and marketing campaigns. After a few analyses from the research agency, Cermat was not satisfied with those results and decided to buy software that would help them to collect, store, distribute and process the information on their customers. Currently, Cermat uses knowledge management software applications to collect, store, distribute and

process information about the requests and needs of its customers. According to this information, Cermat adjusts its production and sales because this information depicts the wishes of the customers. Using software for knowledge management, Cermat gained more buyers and the number of the purchases by existing buyers increased as well.

The software that Cermat uses is called CFMA and works with large databases. The employees from the marketing, production and sales sectors have access to these databases and they make different strategies for production and sales with the help of this information. Also they are able to prepare different analyses about sales' history, the change of prices, sales in different regions, comparison of the sales per products in different years, and make a comparison with the needs of different buyers. Also this software provides the option of distinguishing between the products that are sold on either the domestic market or the export market, and it provides different analysis regarding these products. This software is also used for making calculations that help in determining the price a product should have. Based on the software's calculations and predictions, the most suitable price is given to customers. The management team is satisfied with this software and it is planned for more modules to be added to this software in future.

McCain Serbia. McCain is a leading company, known throughout the world for the production of frozen potatoes and other products from potatoes. The beginnings of McCain can be traced back to Canada in 1914, when the company first dealt with the production and distribution of potatoes. 40 years later the company began to produce frozen potatoes. Today, McCain has manufacturing plants and distribution centers anywhere in the world. The company introduced an innovation in the world of markets by presenting the potato as a flexible product through different forms and different perspectives and ways of use.

McCain's branch in Serbia is a distribution company for the regions of Serbia, Macedonia and Montenegro. This company uses the most sophisticated knowledge management software application in order to satisfy its permanent customers, to attract new customers and to sell products that are required by those customers. Its software solution collects all the information about customers' habits from each country with regard the consumption of potatoes and the different ways of preparing potatoes. Regarding this information they adjust their assortment for sale to each country. Also their software has options to give answers to each question from

the customers. This software is made on McCain's demand according to the needs of the company.

MDS group Germany. The MDS group is a holding composed of these companies: HMF, Pro Dimi, Merx and Cristallo. This holding sells its products worldwide through discount supermarket chains. The MDS group buys products from many European countries and then sells them in its markets. MDS holding started to use a knowledge management system from its very beginning and by using this software the MDS group is connected with all its clients and customers all over Europe. All the orders go through this software, and every purchase is stored in its large database. This software also collects novelties that appear around the world regarding new products in the range of products that the MDS group sells. With regard to this information, the MDS group adjusts its working according to new trends in food consumption and the consumption of all the products that are sold in each supermarket. Also this software allows communications among the sales sectors in the supermarket chains in different countries. This knowledge management software in the MDS group has been created to satisfy the needs of customers and of sales workers and to provide better sales and bigger profits.

Conclusion

Theoretical research shows that knowledge management software applications can help companies to attract and reach new customers. That can be done by collecting, storing and processing the customers' information; also, the process of knowledge management can help create strategies for working, based on processed information. All of these things will contribute to raising the competitiveness of the companies on the domestic and ultimately, on the European market.

In practical research, successful companies from European countries that use knowledge management software applications have been shown. Regardless of the different business activities that they have and the different purposes for using the knowledge management software that they have, these examples show us that knowledge based software can help companies to learn something more about their customers and their needs, and can adjust their work with regard to changing trends and inquiries on the market. Also knowledge management software applications facilitate the execution of the companies' tasks and provide a modern, sophisticated and advanced working for the companies.

Knowledge management software applications should be part of each Macedonian company that wants to be up to date with all market activities and wants to respond to its customers' demands in not only the domestic, but also in the European market.

Companies should be motivated to use this kind of software application. Therefore, a number of activities should be taken by many institutes, among them, companies that produce this software, academic institutions and government. All of these institutions can make a significant contribution toward showing companies the benefits and advantages of using software solutions with which they can manage their knowledge much more efficiently and more simply.

First, knowledge management producers can promote their knowledge management software more intensively and can create effective and intensive selling strategies for this kind of software to companies. Of course, for this, Macedonia should be seen as a country that is prone to implementing technology in business. In order for this to be achieved, the psychology of business leaders in Macedonia should be directed toward seeing the benefits of using the latest technology in a business. And this is where academia comes in.

Universities and other educational institutions can organize special lectures, conferences and meetings, targeted at business leaders. There, representatives from companies- the future users of knowledge management software applications, students, software companies and professors could be present and discuss the challenges and benefits of implementing the latest technology in a business. Everyone could benefit from these open lectures, and a significant number of companies could be persuaded to use knowledge management software applications.

Also government could help in the process of modernizing business. First and foremost, the Ministry of Information Society and Administration could take action by implementing knowledge management software applications in its own functioning and sharing and promoting this experience with companies. Another solution would be if the Ministry of Information Society and Administration cooperates with other ministries or institutes in order for each of them to advocate the use of knowledge management software in its own domain (for example the Ministry of Health could take actions for using knowledge management systems in hospitals and other health facilities, then the Agency of food and veterinary science could take actions to promote the benefits of this software among food producers companies and could even subsidize them).

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Wine Packaging for the Expectations of New Consumers: A Comparative Case Study of Consumers' Perceptions in Macedonia, Germany and Japan

Toni Vasic, Ilijana Petrovska, Indji Selim

Abstract

This paper analyzes the customer's behavior towards wine design in three different countries: Macedonia, Germany and Japan, which are countries with different cultural specifics. This research question has already been analyzed in developed countries, thereby presenting a customer profile which has been influenced by today's social, psychological and global factors. This triggered the inquiry into analyzing how wine packaging is perceived in Macedonia and to see if there are any similarities with EU customers, such as those from Germany and if there is a bigger difference with the customer from Japan. This research will provide advice on European customer integration and if it is appropriate to design the same branding and packaging for these two countries in Europe or for the branding of a European product on the global market. The basic research methods of this paper are developed according to theoretical studies from the marketing literature. The research method for this study is a quantitative online survey of a sample of 70 Macedonian consumers. The questionnaire is adopted from German and Japanese authors, providing a continuation of the study developed in 2012. The Macedonian survey was conducted in November 2013. The determination of the preferences of wine consumers in Macedonia, Germany and Japan helps in the improvement of the design of wine packaging. Moreover, developing a packaging design according consumers' requirements leads to better communication between the consumer and the product by creating a long lasting relationship, as well as better economic results. This research will provide valuable information not only for the industry, but also by presenting valuable scientific feedback in the area of packaging and showing how different the customer perception in EU countries is by comparison with non EU countries.

Keywords: Wine, package, design, consumer, brand, product, social, psychological, global factors.

Introduction

The European market and the European Union emphasize the importance of creativity and innovation as an important precondition for competitive advantage on the world market. Macedonia as part of the European market and as an EU candidate country should follow this strategy and "trend" for being competitive, taking into consideration the influence of globalization on product design and creative strategy. Wine production is among the most important and strategic export products of Macedonia, and in order to be competitive in global and European markets, Macedonia must develop final products which are accepted on foreign markets, rather than just exporting wine in bulk. So far Macedonia has focused on the geographical aspect of wine, but this research should analyze other factors that may have an influence on the better acceptance of Macedonian wine by European and foreign customers. The fact that Macedonia produces high quality wine creates opportunities for expanding in the global market. Moreover, Macedonian wineries should reorganize their branding strategies according the needs of the global market. Therefore, this chapter researches the design of wine packaging which is the key part of the branding process. Also, it is the tool that leads to the popularization of product quality. The design of a product is a major communication and positioning aspect that could differentiate the Macedonian product on the global and European market and have a great influence on better competitive advantage.

The main research question focused on whether or not universal wine packaging could represent both the origin and quality of the wine through contemporary design for the future global customer, by taking into consideration three different consumer types. The consumers who have been chosen for this research were targeted according to the contemporary trends of wine purchasing. In addition, wine consumers from Macedonia, Germany and Japan differentiate according to their social-cultural values. However, the influence of globalization changes the life-styles of consumers around the globe by determining new ways of wine purchase. Hence, the comparison of wine preferences of these three consumer types provides more qualitative research in the quest for finding the universal consumer.

Literature Review

Defining Wine Packaging Design

The literature on packaging design mostly stresses the importance of good design, and a well- shaped product for distinguishing products on the global market. This part of the research defines the packaging design as a key factor in creating the connection between the consumer and brand. There are many statements in the literature about packaging design, based on the field that is used. In addition, this kind of classification of packaging design usage in the literature helps to determine the characteristics of the design concept. This improvement of the design process on the production line presents the importance of the design process in wine consumer behavior. Therefore, this part of the study is helpful in revealing the value of the wine packaging design in the process of wine purchase.

From a psychological aspect, Obraz (1975) stresses that when launching a new product on the market, the function of the packaging design is to emphasize the characteristics of the product and to distinguish the product from the other competitors by establishing a visual connection with consumers. From an emotional aspect, Southgate (1994) argues that product design creates long-term relationships between the brand and its consumers. Southgate (1994) adds that the packaging characteristics of the product stimulate an impulse in the decision making process in purchasing behavior rather than a phase in the branding process. Moreover, Southgate (1994) explains that apart from its functionality the design of the packaging carries out the role of a seller who builds up a stable connection between the brand and the consumer. From a rational perspective, Pildtich (1973) recognizes the need for `soft-sell` marketing which contains the values of rational and emotional packaging design. According to him the design of the package should `shout for attention` so as to attract the consumer and afterwards create a relationship with the product itself.

Also, package design is defined as a phase in the branding process. However, there are many debates in the wine industry about the possibility of defining wine as a branded product. Micklethwait (1999) claims that the branding process in the wine industry is a debate that has been going on for some time. According to his report published in *The Economist* (1999) the global market does not have a popular wine brand because wine experts suggest that wine is a product in which a consumer should enjoy its diversity.

On the other hand, Westling (2001) argues the importance of the wine brand, stressing the service and delivery experience for the consumer, as important factors in the consumer's decision to buy. Moreover, the author suggests many features on promoting a wine in order to give a wine a unique position. These features are just a small part of the characteristics which would improve the concept of the packaging process. But the most important feature of this process is to define the user profile and establish the packaging concept according his needs by targeting the consumer with a good survey.

Defining the Purchasing Factors

A targeting process should investigate the literature based on the marketing mix factors which influence the decision making process while purchasing a branded product. Basic elements that influence the consumer in his purchase decision are defined in the marketing terminology as demographic, economic, social-cultural and psychological factors. However, due to the different characteristics of the wine product, consumer preferences are analyzed according to the influence of socio-cultural, psychological and global factors. According to Obraz (1975) this kind of classification of the consumer is important in the field of marketing because it provides a more accurate picture of the statement on the market.

In addition, determined factors are analyzed in order to reveal the basic characteristics of the wine consumer. Information from the literature provokes a new debate about the preferences of the new wine consumer because social, psychological and global factors bear influence in different ways. This debate over the factors triggering the question about the existence of a universal wine consumer since the research focuses on what is essentially an agricultural product.

- **Social-cultural Factors**

Resnick (2008) claims that in order to understand the relationship between socialization, culture and wine consumers, the study should focus on the observation of the time and place when people actually consume the wine. A particularly important feature when researching a nation's culture for example is the observation of food consumption. This is due to the fact that there is a strong link between the food and wine that is being consumed. Furthermore, the culture of nutrition can also answer many questions about the wine

consumption of a particular market. Contemporary implications and changing lifestyles determine new ways of nutrition which are very important in wine purchasing behavior.

From a design perspective, an understanding of socio-cultural factors is of great benefit beneficial in determining the starting point of a designer's concept. For instance, Resnick (2008) points out that a good example would be to predict whether the brand name, slogan and package design would fit in well with the targeted market. There are many examples in the global market, where a branded product is launched using different names due to differences in market culture. This part of the branding process is implemented by designer teams who research the social and cultural backgrounds and language characteristics of certain markets in different countries. The name of the product and the package design should not only attract the consumer, but also be accepted by the targeted market at the same time.

Resnick (2008) debates the contradictory statements of the modern package design of branded wine products. This is because the social and cultural factors contain variable predictions for every designer. In other words, wine is a product that is intertwined with traditional values, culture and language. However, the development and advancement of technology creates new dimensions in the creation of the product in accordance with the needs of the modern consumer. For every successful designer, the task of designing variable products that adhere to the different social and cultural values of its intended markets is much more of a daunting task than actually designing a single universally acceptable product for all markets.

- **Psychological Factors**

The first contact with the product is a direct function of the consumers' initial interaction with it. This research is focused on branded wines; therefore the places where these emotions are manifested during that interaction should be observed and studied. This part of the study attempts to show that learning is the most reliable consequence in the psychology of the consumer, which as a result is implied by the "learn by experience" phenomena. Additionally, promotions and commercial campaigns play an important role in the perception of a consumer's part of learning and deciding. For example, wine producers have noticed an increased consumption of wine products among the female population. Resnick (2008) explains that increased wine consumption among women is based on the influence of promotional campaigns of the modern

cinema. Therefore, the author, has called the women wine consumers the `Bridget Jones generation`. From a psychological perspective, this chapter analyzes the examples of successfully branded wine products from the three companies pictured below, which are designed according the needs of a targeted consumer group.

Graphic.1.1 Wine packaging for women

Moreover, Resnick (2008) gives examples of three different wine companies that have specifically targeted female consumers and have designed a package according to their preferences. According to the campaigns of these three companies, wine is treated as a refreshing drink with the ability to be consumed throughout the whole day, nicely fitted into a practical design package.

- **The Effects of Globalization**

In accordance with the above example, this chapter reveals that the globalization process also influences the aspects of the design of a branded wine product. Additionally, this part of the research is focused on pointing out the benefits of globalization in the wine industry. Therefore, globalization affects the development of technology, influencing the characteristics of the design concept of a particular product. Furthermore, this development connects different cultures around the world, thereby imposing a new way of nutrition and lifestyle. Resnick (2008) prolongs the debate about the preferences of the wine consumer as continuously changing values which are affected by changing trends in everyday life. According to this author, the main force that leads in this socio -cultural transformation is the power of globalization and its persistence in creating a universal consumer. This kind of transformation in the consumer's behavior reveals that the globalization process affects the wine industry by changing the trading methods of wine products. Therefore, wine production companies create new concepts for the design of packaging, in order to be able to fit into the new ways of promoting the wine product.

Wine Packaging in The Global World and in European Union's Market

In addition, the gathered literature about the preferences of wine consumers so far reveals the characteristics of the user profile from different wine markets. This part of market research determines the target group, influenced by the basic elements of the marketing mix of activities. As mentioned before, the intensity and characteristics of the external marketing mix factors are the elements that influence the wine consumer's motivation for buying. In order to determine the target group, the companies should reorganize their branding strategy according to contemporary marketing principles. In this phase of the research, the purchase behavior of Macedonian consumers can define the position of the organizational marketing concepts of the Macedonian wineries.

Therefore, this research aims to reveal the key elements of the branding process of successful companies that have been operating in the wine industry sector for a long time. This is done by comparing purchasing behavior in markets such as Macedonia, Germany and Japan. As a result, the design phase of the whole branding process has actually become a leading trend in the policy of manufacturing, which creates educated, professional team builders. These then have the potential to coordinate the whole process of activity in companies, as well as increasing the sales of the newly designed products.

So far, the main findings in the literature provide beneficial guidelines in the field of research methodology as well as in the process of designing a wine package for today's consumer. According to Spence (2013), drinking wine from a glass bottle leaves a better taste in consumers' minds because, the brain makes a positive correlation between the weight of the product and its value. Moreover, his findings reveal that wine consumers prefer glass bottle and a wooden cork because for many drinkers, consuming wine is a ritual rather than just drinking an ordinary drink. Therefore, the later part of this research is interested more precisely in the design of the wine label rather than the actual bottle.

Research Methodology

A quantitative questionnaire was used for this research as in the Japan Wine Market Landscape Report (2012) and the Kamminga Report (2012) on the German consumer. The questionnaire was translated, tested and adopted for the Macedonian consumer. The survey analyses were implemented in October

2013, mainly in Skopje, but also covering other cities in Macedonia in order to have a better picture of the Macedonian consumer. The questionnaire was implemented online, using the surveymonkey survey site for creating, and completing the questionnaire. As such, this survey provided results from Macedonia which were comparable with results for Germany and Japan. Due to the limitations of this study, the survey findings of German and Japanese wine preferences were selected from wine companies which had recently performed their survey of the afore- mentioned consumers. Hence, the results of the completed surveys are categorized and presented according to the needs and structure of the study's development process.

The first requirement of the survey used the method of multiple answers and the Best-Worst method of analysis, which is a defined according to the method used in the Thach and Olsen report (2013). In the following section, the study determines the visual preferences of consumers towards the presented wine package designs. Moreover, this part of the survey contains visual examples of branded wine products, in order to have the respondent compare and assess its design qualities.

This survey covered a sample of 70 Macedonian consumers. The question about wine consumption was presented in the first part of the questionnaire in order to filter out the respondents who are not interesting for this study. Therefore, the further process of the research is focused on a sample of 60 respondents who consume wine. The gender representation in this sample is 57% male and 43% female. Due to the focus of this study, it was also necessary to create age categories which are listed as 40% of the respondents being within the ages 18-29, 35% within the ages 30-49 and 25% under 50.

Determining the Visual Characteristics of the Product

In this part of the survey the descriptive sample used was selected according to the different characteristics of their design. The Best-Worst method provided an evaluation of user emotions towards the designed branded wine products. The results of this part of the survey confirmed the answers of the previous questions about consumer design package preferences. In addition, results pointed to the fact, that the most preferred wine package was the choice marked B, with 4.5 points from a scale of 1 to 6. The wine label design was from 2013 by the `Shefa Profusion Wines` company. Actually, the main aim of this winery is to target a younger generation by using a product with trendy characteristics. The figure below presents the average results concerning the

Best-Worst wine package design. According to the calculated results, the highest ones were those ones marked with letters B, C and D. When analyzing the characteristics of the preferred wine designs mentioned, it has been noted that the beneficial sides of the labels are the facts, that they can be placed in various positions on the bottle. Indeed, the paper used is very efficient material, which allows for experimenting in the application of the design elements of the package. This type of material efficiency is beneficial for designers because it provides the opportunity for product integration into the design concept. As mentioned in the literature review, wine package design is the key segment in creating the bridge of communication between the designer and the consumer.

Moreover, if the designer succeeds in expressing the message and the idea of the product to the consumer, then the design of the wine package is usually successful. On the other hand, the wine bottles which are graded with the lowest points are the ones with a traditional square label with a lot of information on it. In addition, those traditional wine labels not very interesting to new consumers since they do not communicate visually.

Analyze>Descriptive statistics>Frequencies
Frequency

	A	B	C	D	E	F
	2.6	4.5	3.9	3.9	3.1	2.9
	1.5	1.3	2.6	4.5	3.9	3.9
	58%	29%	68%	116%	125%	134%
1	17	3	4	4	15	17
2	15	2	7	7	13	16
3	15	4	19	8	9	5
4	4	16	9	21	4	6
5	4	21	4	11	11	9
6	5	14	17	9	8	7

Graphic.1.2 Visual preferences of respondents

Discussion of the Results

Today, the development of product design gathers together all segments of the production process and also builds the bridge between the producer and the consumer. Therefore, in this process the designer should rationally plan the budget, materials and production opportunities in order to be in balance with the expected financial effect. In this part of the study the key statement is to define the strategy that leads to a rational design solution by creating a product which will became a global brand.

This part of the study compares the results of the established survey from Macedonian consumers with results taken from the German and Japanese wine companies. In addition, the results of the preferences which belong to three different types of wine consumers are gathered and selected according to the needs and development of this study. The questions determined below are the key basic parts of this study, therefore their classification provides a better perspective of the discussion process.

- What is the wine consumption frequency in Macedonia, Germany and Japan?
- On which occasions is wine consumed most in Macedonia, Germany and Japan?
- According to which criteria is wine purchased in Macedonia, Germany and Japan?
- What are the visual preferences of global consumers towards the wine package designs?

Q1: What is the Wine Consumption Frequency in Macedonia, Germany and Japan? The frequency of wine consumption in Macedonia is low because 70% of the respondents answered that they consume wine only once a month or only in special occasions, whilst 28% consume wine once a week or regularly that creates a group of high frequency consumers which is mostly to be found among the younger population. According to the survey carried out by Kamminga (2012) from the German wine institute, 31.7% of the respondents stated that they consume wine once a week or regularly, 36.2% answered that they consume wine only on special occasions while 32.1% answered that they do not drink wine at all. The data presented defines that there is only a small difference between the two frequencies but additionally, the research study defines that the younger German population creates the lower frequency and the older population creates the higher frequency. Also,

according to the Japan Wine Market Report (2012) in estimation, half of the population of Japan consumes wine. The frequency of wine consumption in Japan is low, because it is presented by a group of 86% of consumers who consume wine only once a month or on special occasions, on the other hand a higher frequency is determined by 14% of the population who consume wine once a week or regularly. Hence, the gathered results from the three different types of consumers reveal that the average global consumer creates the low frequency group. Therefore, the next part of the study analyzes the different occasions in which the wine is consumed in these three countries.

Q2: On Which Occasions is Wine Consumed in Macedonia, Germany and Japan? In this part of the study, the occasions of wine consumption are compared between Macedonian, German and Japanese wine consumers. This information is beneficial in order to organize the promotional activities of wine companies. According to the survey presented in the first part of this chapter, 30% of the Macedonian respondents answered that they consume wine in restaurants and 23% of them answered on special occasions. Also, according to the Japan Wine Market Landscape Report (2012) 90% of the respondents consume wine during lunch or dinner at a restaurant or special occasions. The further part of the study reveals that German wine consumers also mostly prefer drinking wine at a restaurant or on special occasions. Kamminga (2012) claims that going out to dinner is the best reason for drinking, however "66% of the German respondents answered that they mostly prefer consuming wine in a `private` environment, which means socializing during dinner, on the other hand 29% prefer to drink wine with their partner at home" (Kamminga, 2012). The results of the preferred occasions of three different types of wine consumers reveals the influence of globalization on user preferences in the wine market.

Q3: According to Which Criteria is Wine Purchased in Macedonia, Germany and Japan? As mentioned in the previous part of this chapter, Macedonian respondents purchase their wine according to its quality, package design and type. This kind of information reveals that the average Macedonian consumer purchases a familiar wine of high quality. However, according to the results of the survey, the design of the package and the type of wine is also important in purchasing a wine. Accordingly, the basic information about the age of the wine consumer, most of the respondents are from the young generation who are psychologically prepared to try new products. Furthermore, the key factor in purchasing a new brand of wine on the market is its package design

which communicates with the consumer. In this segment of the survey according to the German Wine Institute and Japan Wine Market Landscape Report, because of global effects and the influence of new life styles, the younger generation has become the new wine consumer group. "The younger population is more and more involved purchasing [sic.]wine purchase in Japan, this group is getting bigger and loves to spend time in selecting wine [sic.] because they are ready to try new tastes" (Japan Wine Market Landscape Report, 2012). Hence, targeting the younger population means having to attract their attention with the correct packaging design and strengthening this communication by creating a long lasting brand.

Q4: What Are the Visual Preferences of Global Consumers with Regard to Wine Package Designs? Because of the geographical limitation of this research, the visual preferences of German and Japanese consumers are not included in this survey. Therefore, the results of the visual preferences of Macedonian wine consumers are treated as the preferences of young global wine consumers. In addition, this kind of discussion is beneficial for the quality of the survey. As mentioned before, the average wine consumer is presented as a male between the age of 18-29 with a university degree. Moreover, this type of consumer belongs to a young group of population which means that he is ready to purchase a new product on the market. In the presented visual samples for the Macedonian respondents, the average answer is a trendy product which means an innovative communication with the consumer. Through this communication, the design of the label should attract the attention of the consumer revealing the story which stands behind its creation. Consequently, young consumers want innovation, new trends and stories about the wine product.

Conclusion

This chapter is based on a literature review and survey analysis performed on Macedonian respondents, comparing findings of the key wine preferences with German and Japanese consumers. In addition, market research, product development and its design and promotional processes provide accurate steps that lead to successful strategy in launching a product brand in the global market. Moreover, this analysis emphasizes the fact that wine companies in Macedonia should build their brand in the global market by targeting their consumer profile. Therefore, the design phase in the branding

process should benefit from achievements in the production industry, especially using the technological accomplishments in the field of graphic design. Also, in this part of the process, the designer has to be aware of the different aspects of material usage, since in this case the product is wine, paper is used as a label material because of its efficiency and ecological properties.

The discussion of the comparative results between the Macedonian, German and Japanese consumers, determines that the main function of the design phase also outlines the branding process. Additionally, this main segment is generally influenced by the globalization process, socio -cultural and psychological factors. However, the design process is also provoked by a new generation of designers who develop new ideas and create new trends in the production industry. This kind of imposed creativity in trends, affects the young generation of consumers, thereby helping the product to evolve according to the influence of identities that are both the consumer and the designer. The wine product itself gains more valuable attributes and differentiates from its competitors in the field of design, owing to the influence of this two-way relationship. So, in order to distinguish from other competitive wine products in the global market, the designed wine product should combine ideas of the factors that influence the consumer preference with the benefit of globalization.

Furthermore, the materials revealed in this study and the results of combining research give an estimated picture of the preferences of new wine consumers. The materials presented show that the new consumer is mainly influenced by global factors but still retains social and psychological characteristics in his purchasing behavior. Therefore, this research has the opportunity to continue analyzing the purchasing behavior of the new wine consumer by introducing wine labels designed according its findings. Further study that can be developed from this research provides for new research methods in analyzing the preferences of new wine consumers. Therefore, in the last part of this paper, the proposed material is introduced in order to present a brief starting point for the further study.

So, in order to compete in the global wine market, the proposed wine package design as shown below, should communicate with the consumer by providing the opportunity to explore the cultural values of Macedonia. These values are influenced from the different elements based on architecture, art, history, tradition and culture which exist in the Macedonian region. In order to create a unity and a story around these elements, the wine label integrates

them into one solar system, since this region has the most sunny days during a whole year and moreover, the sun is the universal symbol of all cultures. This approach presents the imposed traditional values of one culture, onto the universal values of globalization. Hence, this research reveals that today's universal wine consumer is characterized by mixed preferences of traditional values and contemporary trends. As mentioned before, this research project has analyzed the preferences of three different cultures which are Macedonian, German and Japanese. Therefore, the proposed wine package designs include the preferences of the analyzed consumer profiles of these three markets. Moreover, the design concept is the same for the proposed branded wines, however as mentioned in the previous sections, each red and white wine label may be differentiated by their names and alphabet according the intended market.

Graphic 1.3 Proposed red and white wine labels for Macedonian, German and Japanese markets

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Elements of Workspace as Factors of Workspace Satisfaction in the ICT Sector in Macedonia

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Abstract

The great expansion of the Information and Communications Technology (ICT) industry in the last two decades has brought about massive changes to the European as well as to the global economy by transforming them from an industrial structure to a network or knowledge based economic system. Therefore, companies make organizational and structural changes to become more efficient and responsive to changing markets and look to physical facilities to reinforce these changes (Wineman and Adhya, 2007). Consequently today's workplace not only supports everyday duties, but also the sociocultural wellbeing of employees. Corporate investment in job satisfaction, employee wellbeing and organizational commitment has become an important determinant of organizational success. Although there has been a lot of research on exploiting the link between the workspace and job satisfaction in European and worldwide companies (Veitch, et.al, 2007; Wineman and Adhya, 2007; Wolfeld, 2010; Knowght and Haslam, 2010), there is a lack of such research in the Republic of Macedonia. The purpose of this study is to examine the relationship between the physical workspace environment and the satisfaction of ICT employees. The research was undertaken in two ICT organizations in Macedonia using employee surveys. The results show an overall high level of satisfaction with various aspects of the workspace. Although there were no differences in overall job satisfaction between the employees, those working in individual offices were most satisfied with their privacy by comparison with workers in other types of office. The physical aspects of the workspace such as: storage space, office aesthetics, access to co-workers, meeting spaces, the comfort of the space provided, privacy and lighting were found to be significantly correlated within overall workspace satisfaction. The findings therefore point to the importance of paying close attention to workspace design elements as they are connected with the perception of the workspace as an important aspect of job satisfaction.

Key words: workspace environment, office space design, workspace satisfaction, job satisfaction

Introduction

Job satisfaction is a term that has been studied in numerous research projects. Some researchers consider it to be the most studied work-related attitude in organizational behavior and human resource literature (Ghazzawi, 2010). Numerous studies have been dedicated to uncovering the factors that influence job satisfaction as well the effects of job satisfaction on individual and organizational performance. Although studies have been dedicated to the relationship between psychosocial variables and job satisfaction, very few projects have been dedicated to understanding the relationship between the physical office environment, satisfaction with the workspace and overall job satisfaction (Danielsson, 2005). However the office space can have a powerful influence on an employees' behavior (Ornstein, 1989). The workspace as a factor of job satisfaction is only one aspect of a worker's job – partial job satisfaction, however, according to the latest investigation is one of the most important factors. Workspaces have to facilitate not only the primary tasks of working units but also the less formal ones. They should also reach even beyond the facilitation of work tasks and support the social and cultural well-being of participants (Wineman and Adhya, 2007).

As such, this study aims at contributing to this body of literature by studying the effects of various architectural elements of the workspace and satisfaction with different aspects of the workspace with regard to overall job satisfaction. The purpose of this research is to examine a workspace as a specific aspect or factor of the overall job satisfaction of workers in one specific professional field – namely, the ICT industries of Macedonia by comparison with such experiences from the EU. The results should provide other researchers, HR managers, architects and designers with insights into dealing with the design aspects of an architectural space within the working environment while understanding its meaning as an important factor in job satisfaction.

The ICT industry has been chosen as a subject of research because it is a field that has experienced remarkable expansion over the last 50 years in the changing and reshaping of other professional fields in the global economy through the Information and Communication Revolution (Rose, 2007). Working in this field offers employees secure, profitable work with excellent opportunities for a remarkable career. The work design category for this field, because of its nature, includes delicate variables such as: 1) freedom and autonomy – ICT professionals are one of the most autonomous workers; 2)

skills variety – the broad opportunity to use different skills and talents; 3) great task identity – the ability to complete a whole and identifiable task or product; 4) task significance – the opportunity to work on a task or project that has a substantial impact on others (Robbins and Judge, 2009). But despite a lot of opportunities, there are more and more obstacles each day connected with stress caused by the fact that each year there are less and less implemented software solutions. This situation produces enhanced turnovers and withdrawals from the profession. So, management is put in a position where it has to change the work conditions and work agreements in order to retain the work force (Korrapati & Eedara, 2010).

Besides the lack of studies focused on the physical aspects of the workspace as factors for job satisfaction there is also a lack of research that examines job satisfaction among employees in the ICT sector. This paper is focused on examining the effects that the environment produces on the job satisfaction of ICT professionals in Macedonia. There are 1,446 business entities in the ICT industries with more than 2,446 employees in 2012 (State Statistical Office of the Republic of Macedonia, 2013). The strengths and weaknesses of these companies are almost the same as with European examples – turnovers are a prevalent problem as these professionals show more loyalty to their profession than to the company. This is mostly due to the fast changes in the sector and the technology and the need for constant flexibility (Scholarios et al., 2008). Therefore studying all the elements that can help in retaining this workforce as well as help increase their productivity is particularly important.

Literature Review

One of the most examined issues in the field of work and organizational behavior certainly is job satisfaction, a term that denotes a positive feeling about one's job (Robbins and Judge, 2009). Other researchers define it as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience (Kanwar et al., 2009). This kind of emotional state of the worker is favorable to lower staff turnover and worker absenteeism and is related to higher productivity. Job satisfaction can also be defined as an attitudinal variable such as in the Eurofound (2012): "Job satisfaction is simply how people feel about their job and different aspects of their jobs. It is the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs".

The issue of job satisfaction is particularly important as it is tied to workers' productivity as well as turnover (Kanwar et al., 2012). This is important as according to Vitra's Citizen Office Concept (Anon, 2010), there will be a war for talents in the near future, because there will be a shortage of knowledge workers on the global work market. This shortage of workers will be further enhanced with the retirement of workers from the Baby Boom generation and having fewer younger people available to replace them (Ouye, 2011). As part of the knowledge-based industry, ICT workers have different requirements than others when it comes to the work culture of a company in terms of work content, work methods, work style which define different and specific work environments (Kanwar et al., 2012).

The issue of job satisfaction becomes more important as we are witnessing increased competition on the globalized world market where companies are exploring new ways of become more efficient through the ability to be more responsive to changes. To achieve this goal, companies have to remodel the traditional-hierarchical structure to a decentralized team-oriented organizational structure (Wineman and Adhya, 2007). One of the means to achieve this is to reorganize physical facilities in order to reinforce the changes. Wineman and Adhya (2007) suggested that creation should not only be for the spaces themselves but that the main goal should be the ways in which those spaces interlink and how they constitute the fabric of the organization and the blueprint of opportunities for encounter. According to Wolfeld (2010) informal, impromptu interactions between employees enhance productivity, job satisfaction and organizational commitment and this can be carried out through an appropriate office layout design that will encourage face to face interactions and enhance these outcomes.

The physical elements of the workspace are not only important for enabling productivity. Research findings aimed at understanding the relationship between a building, social and personal factors and the perceived comfort of workers show that a perceived comfort in the space is strongly influenced by several personal, social and building factors and that their relationships are complex. Results showed that perceived comfort is much more than the average of perceived indoor air quality, noise, lighting and thermal comfort responses. On the other hand, findings based on European and international studies, indicate that workspaces as well as living spaces, could have a major influence on peoples' well-being (Blyssen et al., 2010).

Ornstein (1989) stated that the interior design of offices influenced job performances, job attitudes and impressions. One very important aspect is the

design of the space consisting of: the arrangements of offices – office layout; furnishings – furniture design and the layout of other physical objects, whether designed or not. According to the study, there are different elements in office design that influence employees' behaviors, that can be divided into two major categories: 1) office layout, which is connected with the configuration of office space and typology of office rooms and the typology of office furniture systems; and 2) office décor, that communicates with the style of the interior elements such as furniture, decorative objects, and physical elements of the environment: noise, lighting and temperature. Ornstein (1989) defined guidelines for developing a more effective and more efficient design of office spaces: 1) when changes to the physical settings of workspaces occur managers should consider the opinions of the employees affected by those changes; 2) the nature of the work and the physical characteristics of the machinery needed should be taken into consideration in order to meet the personal needs of employees regarding privacy, quiet or some special office events that require special needs; 3) management should define the organization's values and goals that are going to be conveyed through specific interior design because it is a strong medium for expressing one's image or identity and will help in reinforcing the impression that workers perceive of the entire organization; 4) besides employees, customers are important as well – work space arrangements should promote and foster customer interaction; 5) finally, office design is important when it comes to attracting potential employees. Orstein (1989) concluded that office design should be considered as a powerful tool in gaining the maximum work performance of employees with a strong impact across the work-based community.

Having in mind the importance of the workspace in attracting and retaining employees, Newsham et al. (2009) conducted a study to discover the links between the conditions of the indoor environment and job satisfaction. The authors found a significant correlation between overall environmental satisfaction and job satisfaction mediated by satisfaction with management and with compensation. The physical work environment, which is usually provided by management, demonstrates management's attitudes toward the employee and their intention to influence satisfaction with other aspects of the employment relationship.

Other studies were mostly concerned with the effects of a particular office type – open plan office design on the indoor environment and on occupant satisfaction with the environment. The finding revealed that employees who are more satisfied with their work environment were also

more satisfied with their jobs (Veitch et al., 2007). One large study conducted by Danielsson (2005) investigated the impact of environmental factors on office workers through their perception and experience of office environments; satisfaction with the office environment and through health status and job satisfaction in connection to office environment depending on different office types. The study explored 7 office-types by architectural features and by functional features: 1) The cell-office (a single person office); 2) The shared-room office (2-4 people sharing a room); 3) The small-open plan office (4-9 person room); 4) The medium open plan office (10-20 person room); 5) The large open plan office (more than 20 person room); 6) The flexi-office (without personal work station) and 7) The combi-office (without strict spatial definition). The investigation was held in 26 companies from Sweden, mostly from the media and ICT industries. Being an architect, Danielsson (2005) recognized architecture and the physical environment as meaningful components of the psychological and physical well-being of people, despite the fact that other major aspects might also have an impact on an employee's individual health and well-being such as psychosocial factors at work. The results revealed remarkable differences between office types with regard to self-rated job satisfaction. In this sense employees in cell-offices are the most satisfied with design-related factors and the employees in flexi-offices were most satisfied with the social aspects of their physical environment. Employees in shared and combi-offices were most dissatisfied on the matter of noise and privacy and employees in open plan offices report highest dissatisfaction on all matters. Different office types have different architectural and functional features that can influence the employees' stress level (Bodin, Danielsson and Bodin, 2010).

The issue of the overall work environment, satisfaction with workspace and overall job satisfaction is an issue of special importance in the ICT sector. Large ICT companies have realized that the organization's performance is affected by the job satisfaction of their employees (Kanwar et al., 2009). The ICT industry is also faced with a high workforce turnover and problems with the retention of skilled personnel. Carayon et al. (2006) found a significant correlation between job satisfaction and a decision whether to stay or leave the job turnover. A lot of researchers claimed that the ICT profession is a unique and distinctive profession because of its recent growth as a field and its unique workforce structure. ICT employees' job satisfaction among other elements common to most workers especially depends on software project success (Korrapati and Edara, 2010). According to this study there is a direct

link between an increased project failure rate and turnover across the globe. Microsoft, among others, maintains good relationships by providing challenging jobs, generous benefits and finally a great work environment. Its management has displayed at the corporate campus more than 4,500 pieces of contemporary art pieces for building employees' loyalty, productivity and finally maintaining retention. The benefit is the company's growth to $44 billion in revenues since its founding (Robbins and Judge, 2009). Google, on the other side, is running a "Total Workplace" concept based on an all-round principle. According to Harper (2012), the company wants its employees to feel comfortable, while making them happy through a unique office environment that should simplify their lives. The offices have unconventional interior designs and no two offices looks alike. The result is that Google succeeded in reducing the relative importance of salary by changing the design of its work environments.

Therefore it can be concluded that there are numerous workspace elements connected to workplace satisfaction. Some of the important elements outlined in the literature are the type of office as well as various aspects of the physical design of the workplace, such as storage space, lighting, noise control and the like. Therefore this study will test for their significance on overall workplace satisfaction.

Methodology

To enable an understanding of the situation in the ICT sector in Macedonia regarding satisfaction with various elements of workspace design as well as the perception of the workspace as an important element of overall job satisfaction, the following hypotheses were tested:

Hypothesis 1: Workers that work in individual offices are more satisfied with their workspace than their colleagues in other office types.

Hypothesis 1.1: Workers in individual offices are more satisfied with the workspace storage.

Hypothesis 1.2: Workers in individual offices are more satisfied with the comfort of the workspace.

Hypothesis 1.3: Workers in individual offices are more satisfied with the privacy of the workspace.

Hypothesis 2: Higher satisfaction with different aspects of the workspace is positively connected to the perception of workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.1: Higher satisfaction with workspace storage space is positively connected to the perception of workspace as meaningful aspect of job satisfaction.

Hypothesis 2.2: Higher satisfaction with workspace aesthetics is positively connected to the perception of the workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.3: Higher satisfaction with access to co-workers is positively connected to the perception of workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.4: Higher satisfaction with meeting spaces is positively connected to a perception of workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.5: Higher satisfaction with the comfort of the workspace is positively connected to a perception of workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.6: Higher satisfaction with the privacy of the workspace is positively connected to a perception of workspace as a meaningful aspect of job satisfaction.

Hypothesis 2.7: Higher satisfaction with lighting is positively connected to the perception of workspace as meaningful aspect of job satisfaction.

To help understand the various aspects of workspace satisfaction among workers in the ICT sector in the Republic of Macedonia this study used a questionnaire. Some questions in the questionnaire were based on previous studies to enable a comparison of the results. As such some questions were adapted to the Macedonian context from the studies done by Danielsson (2005) Newsham et al. (2009) and Veitch et al. (2007), other questions were specifically constructed for this study.

The study was conducted between January and March 2014 in two companies from the ICT sector in the Republic of Macedonia. The study used convenient sampling. Although this type of sampling is a non-representative sample and the generalizability of the findings might be compromised, it can be used in exploratory studies and as a base for further research (Coolican, 2004). Bearing in mind that this study is the first of its kind in the country and is mainly aimed at gaining an exploratory insight into the situation, this type of sampling was deemed appropriate.

The sample consisted of 71 employees from two different companies. Most of the participants were in the age group 26-35 (50% of the respondents) followed by 36-45 year olds (35,9% of the respondents), 46-55 year olds (9,4%) and 18-25 (4,7%) as shown in Table 1.

Table 1. Age of the respondents.

		Frequency	Percent	Valid Percent
Valid	18-25	3	4,2	4,7
	25-35	32	45,1	50,0
	36-45	23	32,4	35,9
	46-55	6	8,5	9,4
	Total	64	90,1	100,0
Missing	System	7	9,9	
Total		71	100,0	

Sixty one percent of the respondents were male and 39 were female and all of them worked on full-time contracts. Most of the respondents had a Bachelor's degree (68,2%), followed by a high-school certificate (27,3%) and Master's degree (4,5%). Most of the respondents had not worked for the companies for a very long time (see Table 2).

Table 2. How many years have you been working for the company.

		Frequency	Percent	Valid Percent
Valid	less than one year	9	12,7	14,3
	1-5 years	26	36,6	41,3
	6-10 years	12	16,9	19,0
	11-15 years	7	9,9	11,1
	16-20 years	5	7,0	7,9
	more than 20 years	4	5,6	6,3
	Total	63	88,7	100,0
Missing	System	8	11,3	
Total		71	100,0	

Out of the total sample of 71 employees, 36 employees were software developers, 11 employees were DBA administrators, and 24 employees were hardware specialists. However due to the small sample size and the interest of the study in the aspects of workplace design this classification was not part of the study. The study concentrated on looking at workspace satisfaction based on the type of office rather than occupation.

Results of the Study

Since this study is first of its kind in the Republic of Macedonia, the basic information about the type of office space as well as overall levels of satisfaction will be presented first. According to the results (see Table 3) most of the employees in the present study work in offices that they share with a few of their colleagues, followed by open space offices and individual offices.

Table3. Type of office

		Frequency	Percent	Valid Percent
Valid	Individual office	5	7,0	7,1
	Sharing with colleagues	51	71,8	72,9
	Open office	14	19,7	20,0
	Total	70	98,6	100,0
Missing	System	1	1,4	
Total		71	100,0	

To get an overall impression of the satisfaction with various aspects of the workspace this chapter will present a distribution of the satisfaction of employees regarding different aspects of the workspace (see Table 4). As it can be seen from the Table most of the employees are generally satisfied with the aspects of the workspace. The highest levels of satisfaction can be observed in relation to the location of immediate supervisors and access to colleagues, as well as freedom from distraction. The lowest level of satisfaction is observed in the issue of air quality, conversation and visual privacy, and the overall lighting of the workspaces.

Table 4. Satisfaction with aspects of the workspace

	Very unsatisfied	Unsatisfied	Neutral	Satisfied	Very satisfied
Color of the workspace	2.9	15.7	37.1	38.6	5.7
Window view	5.7	10	25.7	38.6	20
Size of the space	1.4	7.2	24.6	53.6	13
Location of immediate supervisor	1.4	2.9	30	48.6	17.1
Access to colleagues	1.4	1.4	10.1	63.8	23.2
Storage space	2.9	17.4	26.1	43.5	10.1
Location of the storage space	4.3	13	33.3	40.6	8.7
Freedom for personalization of my workspace	0	7.4	27.9	57.4	7.4
Natural lighting	4.3	8.7	18.8	47.8	20.3
Artificial lighting	1.4	4.3	24.3	50	20
Overall lighting	20	2.9	29	46.4	21.7
Freedom from distraction	1.4	2.9	21.7	60.9	13
Conversation privacy	10.1	17.4	31.9	34.8	5.8
Visual privacy	4.3	21.4	35.7	31.4	7.1
Noise level	4.3	14.5	31.9	42	7.2
Temperature	2.9	10.1	29	47.8	10.1
Air quality	5.8	21.7	36.2	27.5	8.7
Floor covering	4.3	15.9	29	42	8.7
Office furniture	0	15.9	36.2	37.7	10.1
Office layout	2.9	14.5	39.1	34.8	8.7
Formal meeting space	1.4	7.2	26.1	52.2	13
Informal meeting space	1.5	14.9	31.3	41.8	10.4
Overall satisfaction with the workspace	1.4	2.9	31.9	53.6	10.1

To test the first hypothesis a Kruskall-Wallis test for testing the variance between the groups was used. The results of overall satisfaction with office space by office type in groups can be seen in Table 5. The results showed that the differences between the groups are non-significant (p=0.581 p>0.05). This result might be due to the finding that most of the employees are working in offices shared with few colleagues and most of them are generally satisfied with the workspace (65.2% see Table 4).

Table 5. Overall satisfaction with the office space by office type

			Overal satisfaction					Total
			Very unsatisfied	Unsatisfied	Neutral	Satisfied	Very satisfied	
Type of office	Individual office	Count	0	0	1	3	1	5
		% within Type of office	0,0%	0,0%	20,0%	60,0%	20,0%	100,0%
	Sharing with colleagues	Count	0	1	20	22	6	49
		% within Type of office	0,0%	2,0%	40,8%	44,9%	12,2%	100,0%
	Open office	Count	1	1	1	11	0	14
		% within Type of office	7,1%	7,1%	7,1%	78,6%	0,0%	100,0%
Total		Count	1	2	22	36	7	68
		% within Type of office	1,5%	2,9%	32,4%	52,9%	10,3%	100,0%

To test the Sub-Hypotheses of Hypothesis 1 and Hypothesis 2 an exploration of the scale of reliability as well as the factor structure of the measures was conducted first. The Cronbach Alpha for the items measuring various aspects of workspace satisfaction was 0.928 which implies that the reliability of the items is satisfactory. The Cronbach Alpha for the items measuring the importance of workspace for job satisfaction was 0.832 which is again an acceptable level and implies that the reliability of the items is satisfactory.

To further analyze the connection of various aspects of the work space with the perception of workspace as a meaningful contributor to overall job satisfaction some of the questions were combined in single variables. Therefore the following variables were created: Satisfaction with storage space

by combining the questions on storage space and location of storage space; Satisfaction with office aesthetics by combining questions on the color of the workspace, the window view, floor covering, office furniture and office layout; Satisfaction with access to co-workers by combining the questions on the location of immediate supervisors and access to colleagues; Satisfaction with meeting spaces by combining the questions on formal meeting space and informal meeting spaces; Satisfaction with the comfort of space by combining the questions on temperature and air quality; Satisfaction with privacy by combining the questions on visual privacy and conversation privacy; Satisfaction with lighting by combining the questions on natural lighting, artificial lighting and overall lighting.

Then ANOVA was performed of the newly created variables: satisfaction with storage space, comfort and privacy as dependent variables and office type as independent variables. The ANOVA results show that there is a significant difference between the satisfaction with the privacy and the office type (p=0.021). The post-hoc test shows that the employees in the single office are more satisfied with their privacy than the employees in the other office types. The complete post-hoc-results results can be found in Table 6. This means that the Hypothesis 1.3 is accepted.

Table 6. ANOVA post-hos results

Dependent Variable	(I) Type of office	(J) Type of office	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Storagespace	Individual office	Sharing with colleagues	,710	,455	,302	(,43)	1,85
		Open office	,500	,505	,615	(,77)	1,77
	Sharing with colleagues	Individual office	(,710)	,455	,302	(1,85)	,43
		Open office	(,210)	,293	,774	(,94)	,52
	Open office	Individual office	(,500)	,505	,615	(1,77)	,77
		Sharing with colleagues	,210	,293	,774	(,52)	,94

Privacy	Individual office	Sharing with colleagues	1,15000*	,4262	,032	,0824	2,2176
		Open office	1,30714*	,47349	,027	,1214	2,4929
	Sharing with colleagues	Individual office	(1,15000)*	,42628	,032	(2,2176)	(,0824)
		Open office	,15714	,27480	,850	(,5311)	,8454
	Open office	Individual office	(1,30714)*	,47349	,027	(2,4929)	(,1214)
		Sharing with colleagues	(,15714)	,27480	,850	(,8454)	,5311
Comfort	Individual office	Sharing with colleagues	,31000	,42958	,772	(,7662)	1,3862
		Open office	,81538	,48196	,246	(,3920)	2,0228
	Sharing with colleagues	Individual office	(,31000)	,42958	,772	(1,3862)	,7662
		Open office	,50538	,28513	,216	(,2089)	1,2197
	Open office	Individual office	(,81538)	,48196	,246	(2,0228)	,3920
		Sharing with colleagues	(,50538)	,28513	,216	(1,2197)	,2089
*. The mean difference is significant at the 0.05 level.							

To test Hypothesis 2 and all the Sub-Hypotheses the level of connection between the previously created variables and the overall satisfaction with the workspace was tested. These variables were treated as predictors of variable workspace satisfaction as a factor of overall job satisfaction derived by combining the questions ‘My workspace is a big factor in my overall job satisfaction’ and ‘My workspace is an attractive aspect of my job’. Bearing in mind that one of the assumptions for running a regression analysis is a satisfactory sample size of having between 15 to 40 participants per variable (Dancey and Reidy, 2004), the sample size of this research was too small for the procedure. Therefore an analysis of the correlation between each of the predictor variables and the variable workspace satisfaction as a factor of overall job satisfaction was conducted. The correlation coefficients can be seen in Table 7.

Table 7. Correlation coefficients

	Workspace satisfaction as a factor of overall job satisfaction	
	Correlation coefficient	p value
Storage space	0.438	0.000
Office aesthetics	0.622	0.000
Access to coworkers	0.536	0.000
Meeting spaces	0.439	0.000
Comfort of the space	0.601	0.000
Privacy	0.416	0.000
Lighting	0.429	0.000

As can be seen from the previous table all correlation coefficients are significant, which means that there is a positive connection between various aspects of the workspace so that workspace is a major contribution to overall job satisfaction. Bearing in mind that there is also a significant correlation between the satisfaction with the workspace and overall job satisfaction (r=0.594 p=0.000), paying attention to the various aspects of the workspace becomes even more important.

Conclusion and Recommendations

This study is the first study of its kind in the Republic of Macedonia. As such it attempts to serve as a starting point for a deeper and broader exploration of the issues of workspace design and job satisfaction. Despite the limitations of the convenient sampling and the small sample size this study still points out some very important findings that can later be verified by studies using random sampling and a bigger sample size.

To begin with the study found a high level of satisfaction with the various elements of workspace design with some exceptions being the level of privacy, air quality and lighting in the workspaces. There were no differences between the employees working in different types of offices and their overall level of satisfaction with the workspace. However workers in individual offices were more satisfied with their privacy than workers in any other type of office. This is line with the findings by Danielsson (2005). The analysis also shows that different aspects of workspace design are connected with the perception of workspace satisfaction as an important aspect of overall job satisfaction. This is in line with the work of Ornstein (1989). The findings should therefore be carefully considered by the professionals in who design workspaces in

Macedonia, so that they will be in-line with other relevant European and world-wide findings. As such when designing the spaces particular attention should be paid to the level of privacy that a certain workspace offers as that is an important element of satisfaction with the workspace and overall job satisfaction. This body of research recommends that interior designers and managers should explore the possibilities of layout and furniture design in a bid to enhance privacy and the ability to maintain freedom from distraction while concentrating on a work task. This is even more important considering the autonomy required by workers in the ICT sector. The importance of involving employees in decision making with regard to workspace design is paramount, which makes this research important as well.

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Treta makedonska brigada 60, Skopje, Macedonia
www.uacs.edu.mk/conference

CIP - Каталогизација во публикација
Национална и универзитетска библиотека "Св. Климент Охридски", Скопје

32(4-627ЕУ)(062)
930.85(4)
316.442.4(4)

ANNUAL international academic conference on European integration (9 ; 2014 ; Skopje)
#The #Europe of tomorrow : creative, digital, integrated /
9th Annual international academic conference on European integration ;
[edited by Ivan Dodovski ... и др.]. - Skopje : University American
college, 2014. - 492 стр. : илустр. ; 24 см

Уредници: Ivan Dodovski, Robert Hudson, Miodraga Stefanovska, Stevo
Pendarovski. - Abstract кон трудовите. - Библиографија кон трудовите

ISBN 978-608-4607-31-1

а) Политика - Европска унија б) Културна историја - Европа
в) Научно-технолошки развиток - Европа г) Општествен прогрес

COBISS.MK-ID 97389834

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ISBN: 978-608-4607-31-1