

The cost of non-Europe Textile towns and the future of Serbia

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This is a story about the economic decline and social crisis of a formerly proud textile town in a country well-placed on the edge of the largest market for clothes and textiles in the world (the EU), but unable to take advantage of it. It is also a story about the costs of non-Europe in the Balkans. The town is Leskovac; the country is Serbia; and the key policy question is how it was possible that all of Serbia's neighbours were winners in the global restructuring of the textile and clothing industry (TCI), while Serbia was a loser.

The facts are clear and so are the consequences. In 2004 Serbia employed 56,781 people in the textile and clothing sector. In Bulgaria that number was 168,000. Since then the number has continued to fall in Serbia and has continued to rise in Bulgaria. In 1990 Serbia exported three times more textiles and clothing than small Macedonia. By 2004 Macedonia exported more than double the amount of Serbia.

Table: Textile and Clothing Jobs and Exports (million US\$)

		<i>1990</i>	<i>2004</i>
Serbia:	Exports	209 million	208 million ²
	Employed	160,170 ³	56,781 ⁴
Macedonia:	Exports	89 million	541 million ⁵
	Employed	61,418 ⁶	36,639 ⁷
Bulgaria	Exports	281 million ⁸	1,843 million ⁹
	Employed	179,000 ¹⁰	168,000 ¹¹

¹ This is a summary of one year of research in Serbia and Macedonia supported by Erste Foundation. A final report *The cost of Non-Europe* will appear on www.esiweb.org.

² Statistical Yearbook of Serbia 2006, p. 283. This increased to 289 million US\$ in 2005.

³ Statisticki Godisnjak Jugoslavije 1991, Belgrade 1991, p. 467. Kosovo is not included.

⁴ Statistical Yearbook of Serbia 2006, Chapter 5, p. 98. In 2005 it was 49,589.

⁵ Country Profile 2005, Economist Intelligence Unit.

⁶ Statisticki Godisnjak Jugoslavije 1991, Belgrade 1991, p. 467.

⁷ Macedonian Ministry of Economy, Occasional Paper N. 8, p.11.

⁸ South-East Europe Review, 2/2001, p. 143-156.

⁹ Invest Bulgaria Agency, *Bulgaria Factsheet 2005 – Textile and Clothing Sector*, February 2006 (including footwear).

What explains the fate both of Leskovac and of other Serb textile towns in recent years? There are obviously a number of causes, but one stands out. Bulgaria signed its Europe Agreement with the European Union in 1993 and joined the WTO in 1996. Macedonia signed its Stabilisation and Association Agreement with the European Union in 2001 and joined the WTO in 2003. Serbia has not yet either signed an SAA or joined the WTO. On the contrary, until mid 2005 it was the only country in Europe which still faced quotas for the export of its textile products to the EU.

At the heart of this short paper is a comparison between Leskovac and a similar town in the Western Balkans, Stip. This comparison shows how much Serbia's isolation from the EU in the 1990s, followed by slow progress in European integration and delays in completing its transition, have cost in terms of employment. Comparing Leskovac with the city of Stip suggests that there could easily be 10,000 jobs more in Leskovac today than there are. This in turn would have improved the economic position of households and would have helped close the prosperity gap with other regions of Serbia. If Serbia would have followed Bulgaria in the period since 1997 it would have today 100,000 additional jobs in the textile and clothing sector alone.

While all analyses of the Serbian economy today point out its recent fast growth, all also note its weaknesses: high unemployment, a weak export-orientation and very low labor participation rate of two groups in particular: women and the young. It is these groups, and the households to which they belong, that have paid the highest price for Serbian exceptionalism.

As the IMF noted in its latest report in October 2006, in Serbia the "employment rate is low. In 2005 the overall employment rate stood at 42 percent, well below the EU average of 67 percent." The employment rates for women stood at 33 percent, one of the lowest in Europe.¹² As for unemployment:

"rates are high and rising. According to the 2005 Labor Force Survey the unemployment rate has reached 20.8 percent ... Women and the young are affected most with the highest unemployment rates (27 percent and 48 percent respectively)"

The story of the collapse of the Serbian textile and clothing sector since 2000 thus goes to the heart of questions about both the economic and social future of the country.

Why textiles? Why Leskovac?

The textile and clothing sector is one of the most highly globalised industries in the world. It is also subject to huge global change, making every year lost in terms of adjustment even more costly. Most importantly, textile and clothing has emerged as a locomotive for export and employment growth throughout South Eastern Europe.

¹⁰ Tekstilna Industrija Srbije, 2006, p. 41. (data for 1989).

¹¹ Estimate for 2005. Invest Bulgaria Agency, *Bulgaria Factsheet 2005 – Textile and Clothing Sector*, February 2006.

¹² International Monetary Fund (IMF), Country Report No. 06/382, Republic of Serbia: Selected Issues, October 2006, p. 14.

Textile and Clothing is a diverse sector, ranging from high-tech synthetic yarn to safety belts, from the simple cotton T-shirt to uniforms.¹³ In 2002 textile and clothing enterprises employed more than 2 million people in the EU. One person employed in clothing produced roughly €22,000 of value a year and cost about €16,500.¹⁴ These wages have created a strong incentive to outsource production to countries on the EU's periphery.

Many factors accelerated the relocation of production facilities since 1990. One was the end of the division of Europe. Another was the conclusion of a Customs Union between the European Union and Turkey in 1996. The EU also liberalised its trade with the countries of the Southern Mediterranean rim.

There is the rise of China: since 1980 Chinese clothing exports have grown at an average annual rate of 30 percent and in 1993 China became the world's largest exporter of clothes, a position it has held every year since then.¹⁵ Finally, there was the change of the international trade regime. Until 1995 – and the adoption of the WTO Agreement – global production of clothing was fragmented. Developed countries made preferential trade arrangements, also known as outward processing or in Serbian as 'lohn posao', to benefit from labour in low wage countries.

In 1995 the World Trade Organisation *Agreement on Textiles and Clothing* (ATC) was signed to gradually phase out all import quotas by January 1st 2005. As a result the rules governing world trade in textiles and clothing changed drastically. The elimination of quantitative import restrictions had huge implications. Across the world suppliers responded to competitive pressures, modernising equipment, adopting new working methods, specialising in higher value added products.

In 1990 491,294 people worked in the German textile and clothing industry. In 2000 there were 194,969 jobs left. In May 2005 the number had fallen to 131,610. The signing of the ATC also had an immediate impact across the EU: during the period 1995-2000 textile and clothing employment in the EU went down by more than 2.6 percent per year.¹⁶ The years that followed were even more difficult.

Remaining jobs in European textile and clothing industry – 2002¹⁷

Italy	613,000
Spain	237,000
Portugal	227,000
United Kingdom	198,000
France	196,000

¹³ The EU in its classification system, NACE, distinguishes between manufacture of textiles (spinning, weaving, finishing of textiles, manufacture of carpets) and manufacture of clothes (apparel) which includes wearing apparel and work wear.

¹⁴ EU Commission Staff Working Paper, Economic and Competitiveness analysis of the European textile and clothing sector, 21 November 2003, p. 10.

¹⁵ Petra Rivoli, *The Travels of a T-shirt in the global economy*, p. 70.

¹⁶ EU Commission Staff Working Paper, Economic and Competitiveness analysis of the European textile and clothing sector, 21 November 2003, p. 5.

¹⁷ EU Commission Staff Working Paper, Economic and Competitiveness analysis of the European textile and clothing sector, 21 November 2003, p. 11.

For the countries of South Eastern Europe these were years of opportunity. Turkey, Bulgaria or Romania all benefited enormously from the relocation of production. Companies in these countries started out with simple forward contracting (“cut, make and trim”). Today many large brands, such as C&A or Zara, send guidelines per email to suppliers in Turkey, outlining the colours and themes of the season. Turkish partners contact their own designers, submit proposals, organise the purchase of raw materials, cut, make and treat the clothes, and organise their transport to warehouses in the EU. The whole process can take less than 2 weeks from the initial email to the shirt being on a shelf in Berlin or Stockholm. It is this ability to react rapidly and reliably to orders even for smaller numbers of fashion items, and to produce specific special effects (from bleaching to prints) that provides South East Europe with a competitive advantage to even cheaper producers in Asia.

In Bulgaria textiles and clothing have emerged “as the most competitive post-transition industry”.¹⁸ The increase in Bulgarian exports went from \$493 million (1997) to \$1 billion (2001) and 1.8 billion US\$ (2004). An estimated 90 percent of Bulgarian garment production is destined for export markets.¹⁹ This created tens of thousands of new jobs. While employment in the sector first dropped from 179,000 jobs (1989) to 130,000 (1999) it later increased again to 168,000 jobs (2004).²⁰ The same pattern can be seen in Romania.

Leskovac shows both the potential and the failures of recent years in Serbia in this area. Sometimes referred to as the ‘Serbian Manchester’, this city of 69,000 people, centre of a still largely rural municipality of 156,000 inhabitants, has had a rude awakening in recent years.

Leskovac certainly has tradition on its side. It has been an industrial town since the late 19th century. In 1860 Leskovac had been the second largest town after Belgrade in the territory of what is today Serbia. In the 1870s there were thousands of hemp-processors in Leskovac. In 1878, after the Leskovac region passed from the Ottoman Empire to Serbia, its industrialisation took off, led by textiles. In 1896 three entrepreneurs put their money together and bought equipment for the production of woollen cloth from Germany, the first factory on the outskirts of Leskovac town. In 1903 a second factory, industrially processing hemp, was built. In 1938 private textile factories in Leskovac town employed 2,560 workers, which is more than today!²¹

Leskovac still has all the institutions for a textile cluster. The Leskovac industrial textile school was founded in 1947. The Association of Textile Engineers set up in the town soon had hundreds of members. There is a tradition of a textile fair. A local textile magazine discusses global scientific progress in the field until today. Leskovac has the legacy of companies and staff in 17 enterprises. And yet none of this was able to prevent an almost complete collapse.

¹⁸ Victor Ognitsev, *Bulgaria: Experience in Systemic Transition and Reforms*, page 159.

¹⁹ Victor Ognitsev, *Bulgaria: Experience in Systemic Transition and Reforms*, page 159.

²⁰ Tekstilna Industrija Srbije, 2006, p. 41.

²¹ Milivoje Perovic, *Leskovac, trgovački i industrijski grad – ekonomska monografija*, Leskovac 1954, page 38.

Collapse

Most former socially owned companies have still not been privatised. The private sector has not filled the gap. As a result there are hardly any exports from this sector.

To understand what has happened one can enter visit the halls of Sintetika, which used to produce synthetic fibres. While there is a huge world demand for synthetic fibres one finds a despondent director, Novica Ilic. The last investments were done in 1989/90 and the age of the machinery is now on average between 15 and 30 years. Sintetika's competitors sit in Turkey, China, India. In the world the production volume per minute has risen five times during the past 15 years. During the 1990s the company kept up its employment for social reasons. Now all the reserves the company once had are eaten up. On average its 56 workers earn 100 Euros a month. In spring 2006 wage payments were 10 months behind. Ilic explains:

“In August, we do not work at all because it is too hot, in winter we also do not work because it is too cold. The air condition broke down.”

“The embargo experience has taught us how to survive. We lived in an illusion. During the embargo we also still had savings that we could draw on – but by now they are dried up ... we are truly the best worker's class you can imagine. We get by with almost nothing, still come to work, even if we are not paid ... we are still willing to do the kind of work that nobody in Europe wants to do.”

On 6 March 2002, Sintetika's Workers Council Assembly decided that it wanted to be privatised. Since then, the director told ESI, nobody from the Privatisation Agency set foot in the factory. There have been visitors from Bulgaria, Slovenia and Italy. They “come, enter all data in their computer, but never come back”.²² Today Sintektika is without capital to finance its running costs or the purchase of raw material. It is typical for the Leskovac textile sector. The director of Sintetika puts his hope in Europe, which “will not tolerate Leskovac sliding back further”:

“Europe will not allow that China will squeeze us completely out of the textile sector. Europe will let us work in textile, so that we do not resort to drugs and crime. Europe would not want that. Either you give us some low-paid jobs in textile or we will turn to crime – see in our neighbourhood, they kill each other for drugs and crime.”

In 1990 17 textile and clothing companies employed some 11,000 workers in Leskovac municipality. Today these companies employ less than 900 people: four are bankrupt; one was bought by its workers but is inactive now; Leteks was privatised only in December 2006, a second one was privatised and produces ropes; of the 10 other companies waiting for privatisation four are inactive today. Sock producer Zele Veljkovic's work-force has shrunk from 650 to 70. Clothes producer Inkol only employs a few guards today. Synthetic yarn producer Zevelon started bankruptcy procedure in 1999. Here too only two guards are left.²³ And yet, amazingly, until now none of these companies had been either privatised or liquidated. Only in December 2006 Leteks was finally privatised. Strictly speaking the transition from social to private ownership has barely begun for the Leskovac textile sector.

²² Interview with director Novica Ilic, May 2006.

²³ Trgovinski Sud, Djordje Djokic, Izvjestaj o ekonomsko finansijskom položaju Stecajni Duznik DP Zevelon u stecaju Nr. 200/97, Leskovac, 3.3.2006.

Table: Leskovac Municipality – Socialist Textile Sector (1990 – 2006)

Name	Production	Ownership	Employment 1990	Employment 2005
Leteks ²⁴	wollen yarn and cloth	Privatized, active	2,300	280
TIG ²⁵	wollen yarn and cloth	socially owned, active	1,400	150
Vucje ²⁶	wollen yarn and cloth	socially owned, inactive	2,000	30-40
Razvitak ²⁷	weaving, dyeing, sewing	socially owned, inactive	30	10
Resort ²⁸	felt, regenerate, tapestry	socially owned, active	732	183
Sintetika ²⁹	synthetic fibres	socially owned, active	350	56
Zevelon ³⁰	synthetic fibres	Liquidated	300	2
Zeke Veljkovic ³¹	socks and women nylons	socially owned, active	650	70
Srbijanka ³²	knitwear and underwear	socially owned, inactive	850	19
Vucjanka ³³	knitwear – pullovers.	Privatised, inactive	500	0
ITP Oraovica ³⁴	knitwear – pullovers.	in bankruptcy	360	0
Inkol ³⁵	heavy clothes, uniforms	in bankruptcy	808	11
Domaca Radinost ³⁶	handmade textiles, carpets	socially owned, inactive	200	0
Radteks ³⁷	light clothes	socially owned, inactive	146	0
Radonjica Komerc ³⁸	Light and work clothes, home textiles	in bankruptcy, inactive	108	25
Polet ³⁹	caps and hats	socially owned, inactive	5-6	0
Buducost ⁴⁰	rope production	Privatized, active	215	36
TOTAL			10,955	ca. 880

²⁴ Stanimir Petrovic, director Leteks, November 2006.

²⁵ TIG director Zvonimir Marinkovic in April 2006.

²⁶ In April 2006 director Slavoljub Milenkovic explained that the company had 320 workers on the books. 30-40 come to work regularly, including 15 guards.

²⁷ Zoran Dincic, Tekstilni Informativni Centar, August 2006

²⁸ Director of Resort in June 2006. 119 waiting to be laid off by a “social program”.

²⁹ Novica Ilic, Sintetika director, May 2006.

³⁰ Zoran Dincic, TIC in August 2006..

³¹ Liljana Nikolic, director of Zele Veljkovic.

³² Zoran Dincic, TIC, August 2006. According to a guard the company employed 89 persons until October 2006. After a social program for 70 persons the company still employs 19 workers, who get their wages from renting out premises.

³³ Zoran Dincic in August 2006. Sold to a consortium of workers – stands still since 2003/04.

³⁴ Municipality Leskovac, “Informacija o stanju u tekstilnoj industriji opstine Leskovac” December 2005 reports 44 workers .

³⁵ Municipality Leskovac, “Informacija o stanju u tekstilnoj industriji opstine Leskovac”, Leskovac, December 2005. Bankruptcy administrator Nikola Markovic in August 2006.

³⁶ Zoran Dincic estimate for 1990. Privatisation Agency lists 8 employees.

³⁷ Former director Dusan Stamenkovic in August 2006.

³⁸ Municipality Leskovac, “Informacija o stanju u tekstilnoj industriji opstine Leskovac”, Leskovac, December 2005.

³⁹ Zoran Dincic, TIC Leskovac, for 1990 and 2006.

⁴⁰ Stanisa Petrovic, technolog of Buducnost in April 2006.

Mrs. Danica Ivkovic, the director of the Centar za Socijalni Rad in Leskovac, admits that the current numbers do not reveal the full truth about the social decline of the city. Those still officially employed in unprivatised SOEs are supposed to get at least the minimum wage, but these wages are not paid out in many cases. SOE's cannot 'release' workers unless the company can 'proof' that they are 'technological surplus'. These are 'fictional workers':

“What really happened during the 1990s now becomes visible. The crisis now shows its face. In the 1990s we were so much in crisis ourselves, that only now we can start to see what it really meant.”⁴¹

Nor has the private sector been able to make up for these losses. The largest 11 private companies create less than 500 jobs, and very few of them are able to export outside Serbia. In the municipal register of workshops in Leskovac in 2006 there are 105 workshops producing textile products. Of these 57 were tailoring companies and 4 specialized in household garments, 16 produced explicitly knitwear, 4 were hat-producers, 7 rope-producers and 21 unspecified handicraft workshops.

Table: Leskovac private textile-clothing Firms with more than 10 employees (2006)

Name	Product	Owner	Owners background	Jobs 2006
Martes	light clothes, suits	Ljubisa Markovic	Trader	120
Bimteks	yarn, sweaters	Bozidar Stojiljkovic	SOE director	80
Mitic	plastic and jute sacks	Mitic		70
Littrico	bathing suits	Predrag Litric		30
Trikoteks	woven sweater parts	Zoran Djokic	Trader	30
Petuki I and II	Socks	Nenad Ilic	SOE director	20
Viktorija	home textiles	Jovica	Trader	18
Mateks	home textiles	Miodrag Ilic	SOE	17
Trgoteks	home textiles	Smilja Doncic	Trader (book seller)	16
Nikoplek	Socks	Milorad Nikolic	SOE	10
Magbi	light clothes	Dragan Dzunic		10
Total jobs				421

Post-textile Leskovac ?

In September 1990 the municipality had an employed workforce of 40,168 persons. 19,853 of them worked in the manufacturing industry. Today 67 percent of the population - 104,000 persons – are of working age. According to official statistics there were 34,256 persons employed in 2003. In September 2005 employment in the

⁴¹ ESI Interview with Danica Ivkovic

manufacturing industry has decreased to 9,940 workers.⁴² How has Leskovac been able to cope with this collapse?

There is still a very large number of people working for the government, public institutions or public enterprises. There are an estimated 14,000 private farmers. There is also a new private sector but very little manufacturing of any kind remains, and unemployment is extremely high.

The population has also declined and aged, going from 161,986 in 1991 to 156,262 (census 2002). According to a projection of the municipality it has today some 154,894 citizens.⁴³ In 1981 9 percent of the citizens in Leskovac were older than 64, in 2004 16 percent.⁴⁴ The number of persons of retirement age (64 and older) increased from almost 14,500 to 22,006 in 2003.

Table: Employment in Leskovac⁴⁵

Category	Employees
Private enterprises (2005)	16,235
Public companies (2005)	9,031
State institutions (2005)	7,218
<i>Total employed</i>	<i>32,484</i>
Private farmers (2002) ⁴⁶	14,300
Total income recipients	46,784

Table: Other social categories

Category	Employees
Unemployed (2005) ⁴⁷	21,745
Pensioners (2003) ⁴⁸	22,006
Social aid recipients (2006) ⁴⁹	3,500
Total	47,251

⁴² Skupštine opštine Leskovac, Opštinska Uprava za Privredu – Odsek za planiranje, Statistički Bilten. Januar-December 2005: 9,244 manufacturing and 716 through the energy provider.

⁴³ Serbian Statistical Office according to Municipality Informator, December 2005.

⁴⁴ Statistical Office of Serbia, Census results 2002: Population by gender and age groups by Census 2002, by municipalities, page 33f.

⁴⁵ Municipal Department of Planning Leskovac, 2006

⁴⁶ Republic Serbia Statistical Office, Popis stanovništva, domaćinstva I stanova u 2002. Poljoprivreda. Poljoprivredna gazdinstva prema aktivnosti i izborima prihoda. Podaci o opštinama, No. 2., Belgrade, October 2004, page 15f

⁴⁷ Republic Serbia, National Service for Employment, Leskovav, 3.4.2006

⁴⁸ Republicki fond za pensjsko osiguranje – filijala u Leskovcu data from 2003, cited in: Skupština Opštine Leskovac, Opštinska Uprava za Privredu, Odsek za Planiranje, "Statistički bilten Januar-December 2005

⁴⁹ Danica Ivkovic, Director Centra za Socijalni Rad, August 2006

Who is to blame?

But has the decline of textiles in Leskovac been inevitable? Or is it due to smuggling and ‘unloyal’ competition from China? Alan Tonelson has written about a *Race to the Bottom*, arguing that the surplus of workes in China

“... puts incessant downward pressure on wages and working conditions, leading the apparel and textile industries to favour the cheapest and most Draconian producers. If the means to victory in this race are to provide the lowest wages, the poorest conditions, and the most restrictive regimes to apparel producers, then is not the victory hollow at best? And does the race to the bottom have a bottom ...?”⁵⁰

This is an argument one sometimes hears in Serbia as well. It has some superficial plausibility. There were no Chinese in Leskovac until 1998. Today there are more than 300. Besides an open Chinese market, Chinese entrepreneurs run two shopping malls in the centre of the city. One was opened in 2002 in a building to a big socialist trading chain. Today there are big Chinese signs announcing its change of name: “New Age”. Inside there are many small shops, separated by curtains without any doors. Most sell textile products. And gthey do compete with the very simple household textiles produced by Leskovac’s weak private sector.

What the Chinese or globalisation argument ignores, however, is how many winners there have been in this global race, and how many of Serbia’s neighbours have been among them.

Macedonian Mirror

To understand the opportunities Leskovac (and Serbia) have failed to grasp it is useful to look beyond Serbia south of the border to eastern Macedonia.

While Stip’s history of transformation in the 1990s looks at first similar to that of Leskovac, its development in recent years has been very different. Since 2001 privatisation and liquidation have completed its economic transition. Since then a rapidly growing and competitive private sector, exporting to the EU, has emerged.

Today there are more than 70 companies employing some 7,000 workers in the Stip textile and clothing sector. According to the local employment office the largest of the companies foresee the creation of more than 1,600 workplaces until the summer of 2007. Local TV station advertises constantly about 200 open workplaces. Where in 2002 thousands were jobless and the employment office registered 11,700 unemployed, today directors complain about a severe shortage of labour.

Today net wages in the clothing sector are around 140 Euros and rising. As wages increase several companies in Stip have purchased or built additional plants outside Stip to employ cheaper labour.⁵¹

⁵⁰ Petra Rivoli, *The Travels of a T-shirt in the global economy*, p. 71.

⁵¹ For instance Lars in Sveti Nikole, Stipteks in Radovis and Linea in Probitip

Table: Employment in Stip 1990 – 2006

Year	Employees	Textile sector
1990	20,300 ⁵²	ca. 8,700 ⁵³
2002	13,800 ⁵⁴	ca. 4,000 ⁵⁵
2006	17,500 ⁵⁶	ca. 7,000

Stip's entrepreneurs formed an independent association of producers. The number of jobs has increased by 3,000 since 2002. Exports are rising despite international competition.⁵⁷ Since 2001, when Macedonia signed the SAA agreement with EU as the first country in the Western Balkans, exports into the EU have been rising at a rate of almost 27 per cent per annum from 239 million USD to 486 million USD in 2004.⁵⁸ According to the regional customs office of Stip, the export has been rising from year to year without interrupt and reached in 2005 a level of 207 million Euros in the Eastern Macedonian region around Stip.⁵⁹

The customs terminal of Stip now acts like an outpost of the European market. From here the products go directly into the warehouses of customers in the Netherlands, Germany or Switzerland. Smaller companies have emerged that offer specialized services, such as printing sized blueprints or Computer Aided Design and cutting.⁶⁰

A Greek investor relocated his wool spinning plant into the empty halls of Makedonka. A Turkish investor has bought the former denim plant of Makedonka. Two German investors have started to produce their own clothes in Stip in the last year shifting from intermediary and logistical function to immediate full package of services. A Swiss investor is in the phase of relocating his production from Portugal to Stip. The Employment Office expects the creation of far over 1,000 jobs until summer 2007.⁶¹

Four foreign logistic and intermediary organisations have opened logistic centers: Birkhard as part of Thiel Fashion Lifestyle in Luxembourg, the Bulgarian TLM from Bulgaria as part of the C&A group and two smaller investors from the Netherlands and Germany.

⁵² Statisticki Godisnjak Jugoslavije 38.1991, Belgrade 1991, page 643 contains only jobs in the socially owned sector

⁵³ The three largest companies were Astibo, Makedonka and Politeks. Astibo had 5,200 workers in 1990, but only about 3,200 were employed in Stip itself. Politeks employed about 500 workers, Makedonka had about 6,000 workers of which 5,000 were employed in Stip.

⁵⁴ Macedonia Population Census 2002

⁵⁵ ESI estimate on the basis of interviews with Employment Office, Entrepreneurs and Workers Union Stip

⁵⁶ Data calculated based on information of Employment Office, Pension Funds, Municipality Revenue Office, Workers Union Stip, Interviews with Entrepreneurs

⁵⁷ Customs office Stip, director Vase Krlev, September 2006.

⁵⁸ SIPPO, The textile industry in Macedonia, published in 2005

⁵⁹ Customs office Stip, director Vase Krlev, September 2006

⁶⁰ Newtrend, Avangard

⁶¹ Centar za vработuvanje Stip, "Izvjestaj od sprovednata anketa za istrazuvanje na pazarot na trud, Stip. August 2006"

Clearly, what Stip has achieved would also have been possible in Leskovac, where many of the managers in Stip's companies were educated and trained in the recent past.

But three factors explain why Stip succeeded where Leskovac failed: its companies never cut off contacts with EU partners as radically as companies in Serbia did during the 1990s. The transformation (privatisation and liquidation) was actually completed by 2002. And most importantly, by 2002 Macedonia had clearly embraced the EU perspective. In 2001 it signed its SAA. In 2004 it submitted its application for membership. In 2005 it was granted candidate status.

Hope for Leskovac?

What would it take for Leskovac to follow in the path of Stip, or for Serbia to follow in the footsteps of Bulgaria? There are signs that things might change. Since 2005 there are no longer quotas for clothes exports from Serbia and exports are picking up. An SAA might actually be signed. There is the goal to complete the transformation of the SOE sector in 2007. And in recent local elections in Leskovac people voted for a mayor who campaigned on the slogan "Leskovac in the heart of Serbia. Serbia in the heart of Europe."

If Leskovac would be able to regain in the private sector the number of jobs it had in textile and clothing in the socialist times (and achievement of Stip in just a few years) then this would mean more than 10,000 additional jobs. If Serbia would be able to emulate Bulgaria, this would mean 100,000 additional jobs.

The last decade was lost. But one cannot change the past. The challenge now is to take a look at the success of others in the region, and to translate this in practical policy.