

The New York Times

A Serbian region unravels with its textile industry

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January 29, 2007

LESKOVAC, Serbia — The crumbling factory walls and idle smokestacks that dominate this town are replicated across Eastern Europe: symbols of once proud industrial centers that fell into decline almost as soon as the Berlin Wall came down.

But as vast parts of Eastern Europe laboriously rebuilt their economies in the 1990s, and joined in European life, Serbia did not follow suit. It pursued wars in parts of the former Yugoslavia — Croatia, Bosnia and Kosovo — which in turn led to Western sanctions and NATO airstrikes.

Even in the eight years since the last war ended, commerce has not revived in cities like Leskovac, in southeastern Serbia. The heavy cost is still being tallied, in the young who flee and the others who turn gray and dispirited.

Babicko, a nearby village, is simply dying. Of 700 residents, only 4 are children of school age. Houses, whether of stone or mud brick, are falling into disrepair. When the time comes, “my daughter can try to sell it,” said Ljuboslava Svetkovic, a pensioner living there, of her house. “If not, it will all collapse.”

Leskovac’s proud industrial history, in which textiles played a leading role, dates back 150 years. In the 1860s, Leskovac was Serbia’s second largest city, and by the start of the 20th century, its wool and cloth exports brought the city renown as a second Manchester, after the English city famed for its textiles. In 1990, Leskovac had a population of 69,000, with nearly 11,000 employed in its textile factories.

Today, the industry has collapsed and has just 880 workers. Pensioners and the unemployed outnumber those with jobs.

It may not be surprising that a mainstay export industry would suffer from wars and isolation. But it is the years of peace that have left local residents angry.

“It’s the Turks and Chinese,” said Novica Ilic, the director of Sintetika, one of 17 textile companies in Leskovac. The city’s factories, he said, could never hope to compete with the cheap labor and technical innovation from China and Turkey.

But isolation, not globalization, is more likely the culprit, a result of the wars, in which more than 200,000 people died. For that, there is anger at the government. Local critics say the political elite in Belgrade, the capital, is mired in issues dating from the wars and is not focusing on reforms. They also point to the buoyant economy in Serbia’s north, including Belgrade; the country as a whole is growing at a pace of about 6 percent a year.

Nevertheless, even Mr. Ilic admits that Serbia’s textile sector is being outpaced by neighboring countries that have found a place in the global market.

A new report by the European Stability Initiative, which does economic research from offices in Germany, Turkey and the Balkans, noted the success of Stip, a city similar to Leskovac in Macedonia, another part of the former Yugoslavia. Investments flowed in after the sales of state-owned textile factories to private owners in 2001 and 2002. Exports increased sixfold, the report says, and unemployment dropped from 12,000 to a point that “directors complain about a shortage of labor.”

While some large industries in Serbia have been privatized — steel and tobacco plants were sold to American companies — most state- or community-owned enterprises are stuck in limbo, economists say. If anything, their debts are growing.

In Leskovac, privatization has barely begun. Ten companies, including Sintetika, remain socially owned, a term that implies ownership by the workers. Much-needed investment in technology has failed to materialize.

“They are not ready to tackle the social problems and face the workers,” said Mr. Ilic, the company director.

Many blame Belgrade. “There simply is no economic policy,” complained Jovica Svetkovic, the head of Leskovac’s economic planning department. For the last six years, he said, Serbia’s political debate has been dominated by issues stemming from the breakup of Yugoslavia, including relations with neighboring Montenegro and the future of Kosovo, a Serbian province that remains under United Nations control.

Other issues also bear a heavy economic cost. Perhaps most important, Serbia has failed to normalize its ties with the European Union, which is most likely to provide it with investment and markets. Its failure to locate and hand over Ratko Mladic, the former commander of the Bosnian Serb army, to face war crimes charges in The Hague, has delayed the signing of a preliminary agreement with the European Union. Such an agreement would be a milestone toward membership in the European Union and would improve trade relations, something that Macedonia has already done.

“Basically, this country is stuck with the Mladic case and the Hague tribunal,” said Goran Svilanovic, the foreign minister first of Yugoslavia, then of Serbia and Montenegro, and now a member of the Serbian Parliament.

Western diplomats in the region hope that after parliamentary elections in January, Serbia’s two main democratic parties will be able to patch together a governing alliance, bringing about conditions that could foster reform.

But in Leskovac and its outlying villages, this is one more hollow promise.

“This is the Balkans,” said a forlorn Ljubisa Svetanovic, 55, who lives in Babicko. “God has said good night. Life stopped here a long time ago.”