



**OCCASIONAL PAPER N. 8**

**THE HISTORY OF  
THE MACEDONIAN  
TEXTILE INDUSTRY  
WITH A FOCUS  
ON SHTIP**

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Place: Skopje, Macedonia**

## Introduction- the Early Beginnings and Developments Until 1945

The growth of the Macedonian textile sector underwent diverse historical and economic phases. This industry is among the oldest on the territory of Macedonia, and passed through all the stages of development. At the end of the 19<sup>th</sup> century, Macedonia was a territory with numerous small towns with a developed trade, especially in craftsmanship (*zanaetchistvo*). The majority of the population lived in rural areas, Macedonia characterized as an agricultural country, where most of the inhabitants satisfied their needs through own production of food. The introduction and the further development of the textile industry in Macedonia were mainly induced by the needs of the Ottoman army for various kinds of clothing and uniforms. Another reason for the emerging of the textile sector was to satisfy the needs of the citizens in the urban areas. An important factor for the advancement of this industry at that time was the developed farming, cattle breeding in particular. (*stocharstvo*).

The first textile enterprises were established in the 1880's in the villages in the region of Bitola - Dihovo, Magarevo, Trnovo, and their main activity was production of woolen products. Only a small number of cotton products were produced in (*zanaetckiski*) craftsmen workshops. The growth of textiles in this region was natural as Bitola, at that time also known as Manastir, was an important economic and cultural center in the European part of Turkey.<sup>[1]</sup> At that time the owners and managers of the textile industry were businessmen with sufficient capital to invest their money in industrial production. These companies showed good results and their business had a bright perspective. Unfortunately, the Balkan wars and the First World War had devastating results for this industry.

One of the first textile companies in the territory of Republic of Macedonia was the textile and knitting (*trikotazna*) factory in the village Dihovo . The factory was built in 1883 and represented one of the largest textile factories in the European part of the Ottoman Empire. The investment in this factory was estimated to be 15.000 golden Turkish liras. Yet, this was a huge amount to be invested by one person, so the owners established a joint stock company *akcionersko drustvo* that financed the building of the factory. They produced mostly woolen products with modern production processes. The company used mostly domestic wool. In order to produce high-quality products they also imported wool from England. The final products were sold in most of the major cities in the region: Bitola, Thessalonica (Solun), Skopje, Istanbul, Izmir (Smirna), Duras (Drach). The factory was closed in 1915 when the Bulgarian army, in control of Macedonia at the time, took the machinery to the towns of Sliven and Gabrovo in Bulgaria.

At the end of 19<sup>th</sup> and beginning of 20<sup>th</sup> century there were ten other textile workshops. Unfortunately, they were all shut down and destroyed during the First World War. Beside woolen products, there was also production of cotton products. However, this sector could not develop much in Macedonia at this time because of high competition from the European cotton producers. Another negative factor for the growth of cotton production was the low purchasing power of the Macedonian population. Only in the period between 1933 and 1940 the cotton producing industry grew more significantly.

In Macedonia the modern production in the silk industry began at the end of the nineteenth century. The main centers for silk cocoon (*kozhurci*) were the regions of Gevgelija, Dojran, Strumica, and Radovish. The first factory for processing silk cocoon (*odmotacnica na svileni kozurci*) was established in 1894 in Gevgelija. The factory was the property of the sultan Hamid. The machinery was brought from Italy, and assembled by Italian experts. At that time the employees worked for 12 to 14 hours per day, and the total number of employees was 180, all of them from Gevgelija. There were also women among them. The factory shut down at the beginning of the Balkan wars in 1912, and it was destroyed in the First World War. This war had serious consequences for the silk processing business (*svilarstvoto*). Because they were very close to the military front many inhabitants from the region of Gevgelija and Dojran moved toward the inner parts of Macedonia. Looking for a secure place to live, these people left their workshops and began to work in other professions. Therefore, the end result in the silk processing industry was similar to the story of the woolen processing- failure.

At the end of First World War new economic conditions were created. With the partition of Macedonia in 1912 confirmed at the Versailles in 1918, the economy stagnated and the development of the textile industry in what is today the Republic of Macedonia discontinued. Part of the investments in this industry remained at the other side of the new borders, and part of it was destroyed in the war. The Macedonian textile industry could not be revived and developed because of the interests of strong competitors from Serbia, Croatia, and Slovenia. As Macedonians in the Kingdom of Yugoslavia were not even recognized as a nation, the country renamed Vardarska Banovina, it was obvious that the Macedonian industrial development was not a priority for the Yugoslav rulers. In fact in the inter war period only two small textile industrial companies were renewed: "Sterjo Pikulis" in the village Magarevo, producing cloth and laces (*za shtofovi i gajtani*) and "Petar Lekikj" in Tetovo producing laces (*gajtani*). In the period 1918-1940 there were 16 textile producing companies established on the territory of Republic of Macedonia. By the beginning of the Second World War only 12 companies were operational. Three shut down, while one was just to be constructed before the war. Here is the full list of these factories:

1. Factory for producing cloth and lace of Sterjo Pikulis in Magarevo-Bitola region- established in 1890 as a craftsmen workshop (*zanaetciska rabotilnica za izrabotka na klashni i gajtani*). During the First World War it was destructed, and restored in 1924 with new

machinery brought from Chemnitz, Germany. In 1940 there were 24 employees, and the total output was 150.000 meters of various types of woolen and cotton cloth, and 15.000 kilos of lace. The factory worked in two shifts.

2. Factory for producing lace of Petar Lekikj in Tetovo - established in 1905 in Skopje, but moved to Tetovo in 1908. It was also destroyed in the First World War and renovated afterwards with machinery brought from Nierenberg-Germany. The number of employees fluctuated between 8 and 17, and the output was 12.000 kilos various types of lace.

3. Enterprise for processing of cotton and wool "Gligor Stamenov" based in Strumica. In the period 1918 to 1925 the enterprise functioned as workshop for ginning cotton and wool. In 1925 it acquired machines and began spinning and weaving of cotton increasing production. The machinery was taken from a factory in Banja Luka. At the beginning the number of employees was five, while in 1940 it grew to eleven.

4. Bitola Textile Industry (*Bitolska tekstilna industrija*) was one of the first knitting<sup>[iii]</sup> company (*trikotazno pretprijatie*) established in 1927. All of the machinery was new, bought in Germany, except for the sewing machines that were brought from the United States of America. At the beginning, the production capacity was between 10.000 and 15.000 kilos of final products, but later, in 1940 it the capacity was increased and the output was 33, 380 kilos cloth tricot and 5.080 dozens of specialized cloth - flannel (*faneli*). The number of employees was between 25 and 30. The factory purchased the raw materials such as cotton yarn (*pamucna pregja*) from Czechoslovakia and Italy, and wool from England and Greece. Only a small portion was procured from the spinning mills in the Kingdom of Yugoslavia such as those in Litija, Slovenia, or in Duga Resa, Croatia.

5. Factory for producing tricot "Dijamant" from Skopje - established in 1927. The factory's total output was 12.000 kilos of final products. The raw material, yarn, was purchased from England, Austria, and Belgium. The machinery was bought from Germany. The products were sold in the Yugoslav markets, about 50% in Serbia, 40% in Macedonia, and 10% in Croatia, and only a few times a small portion in Greece. From 1927 to 1929 the number of employees was 33.

6. Textile Industry of the General Trade Joint Stock Company (*Tekstilna industrija na Generalnoto trgovsko akcionersko drustvo*) from Skopje, built in 1931. The machinery was bought in Chemnitz-Germany. At the beginning, the daily capacity was 2.800 pairs of socks for men. The next year this number increased to 5.000. In 1931 the capacity for producing fabric for women's clothing (*zhenski shtof*) was between 300 and 400 meters per day, while in 1937 it reached 1.000 meters per day. The department for producing carpets (*kilimarsko oddelenie*) had a capacity of producing 1.500 square meters of carpets per year. The raw materials were imported from England and Italy. The final products were sold in the Kingdom of Yugoslavia, the carpets

exported to Austria and the Scandinavian countries. In the beginning the number of employees was 70 while in 1936 it grew to 464.

7. Factory for cotton cloth (*Fabrikata za pamucni tkaenini*), Skopje, established in 1933. At first this was a small enterprise. In 1940 machinery was obtained from Czechoslovakia and industrial production began. In that year the number of employees was 15.

8. Industrial Enterprise for the production of bags, mattresses, and linen Skopje (*Industrisko pretprijatie za izработка na vrekji, slamarici i drugi tekstilni tkaenini od juta*). In 1933 the owners of the soap producing factory "Aero" from Skopje bought 10 used gins from Vranje, Southern Serbia. In 1935 they bought 10 new machines from Germany, and in 1938 another 22 machines from Germany, Belgium, and Czechoslovakia. Although they bought the machines for the needs of the soap factory, later on they used them for producing textiles as well. The raw materials were brought from Poland, Belgium, and Czechoslovakia. The total output was between 200.000 and 300.000 meters linen per year. The products were sold on the domestic markets, 70% in Macedonia, 25% in Kosovo and 5% in Southern Serbia. In 1939 the number of employees was 50, 15-male and 35-female.

9. Factory for producing socks "Shar", Skopje, established in 1936. In 1940 "Shar" was bought by the owners of the textile industry "Vardar" from Skopje. The raw materials were purchased from Italy and Yugoslavia, while the factory operated with 35 machines. The average yearly processing of cotton and silk yarn was 20.000 kilos, 70% of which was sold in Macedonia, 20% in Kosovo, and 10% in Montenegro. This factory was very successful, the capacity fully used. The number of employees was 31.

10. Textile Factory (*Tekstilna industrija*) "Vardar", Skopje, established in 1937 in the industrial zone on the road Skopje-Kumanovo. The factory had 67 machines that were operational (70% bought new, and 30% used; all of them from Germany). The factory processed 120.000 kilos of yarn, imported from Italy and Czechoslovakia, per year. Only 20% raw materials were bought from Yugoslav suppliers, from Maribor, Slovenia, and Zemun, Serbia. The final products were sold within the country, 35% in Macedonia, 50% in Serbia, 10% in Kosovo, and 5% Montenegro. In 1940 the number of employees was 89.

11. Textile Factory (*Tekstilnata industrija*) "Tulbend", Skopje, established at the end of 1937. The factory had 67 machines purchased from Germany and Czechoslovakia. The basic raw material was yarn, 90% from Italy and 10% from domestic spinning mills. While operating with full capacity, the factory processed 75.000 kilos of yarn. The number of employees in 1940 was 48.

12. Workshop for the production of silk and cotton fibers (*Rabotilnica na svileni i pamucni platna*), Bitola - which until 1937 was a primitive textiles producing workshop. In 1938 it was acquired by a new owner, who procured 11 machines increasing production. The average yearly

consumption of raw materials was 2.000-3.000 kilos of silk yarn and 1.500-2.000 kilos of cotton yarn, imported mainly from Italy and Greece. The output was 45.000-50.00 meters of various types of silk and cotton fibers. In 1940 the factory had 18 workers.

13. Textile Factory (*Tekstilna i pozamanteriska fabrika*) from Skopje established in 1931 as a textile workshop. In 1934 the factory was expanded, and there were 18 employees. This number later on reached 30 employees. The products were sold in Macedonia-60%, Kosovo - 20%, Eastern Serbia-10%, and Bosnia-10%. The yarn was imported from Czechoslovakia, Italy, and Germany (90%), and 10% from Slovenia. The factory had 67 machines, purchased from Czechoslovakia, Germany, and Belgium. Ten of the machines were bought used from Yugoslavia. In 1940 the number of employees was 52.

14. The Weaving workshop (*Tkaacka rabotilnica*) "Jug", from Skopje, established in 1939 with 18 machines. The gins were brought from Switzerland, the rest of the machinery from Germany. Basic raw material was artificial silk imported from Germany and Italy, and the factory consumed 10.000 kilos per year. The number of employees was 22.

15. Factory for ginning silk (*Fabrika za odmotuvanje na svila*) from Gevgelija - established in 1938. The machinery was purchased from Greece. About 18.000 kilos dry cocoon were ginned per year. While the final products were sold on the Yugoslav market, the number of employees in 1940 was 60.

16. Textile Factory (*Tekstilna industrija*) "Armagan", from Skopje established in 1941. The machinery was bought in Germany, England, and Czechoslovakia. The capacity was 420.000 meters of various types of cotton cloth per year (for one shift).

The initial development of the Macedonian textile industry indicates two major phases: the first phase 1918-1933 is characterized with a slower development-only five enterprises were established and two of them shut down. The second phase (1933-1940) indicates more intensive development, with nine established enterprises. Out of these established enterprises, seven were based in Skopje, an economic and administrative center which attracted domestic and foreign capital.

The companies in the Macedonian textile sector at that time did: ginning of silk, weaving of cloth made of cotton, wool and artificial silk, knitting, and else. The most important industrial facilities were the weaving mills of cotton products. Before the war the textile companies were small enterprises. There was a disproportion between the capacities of the spinning and weaving mills. The only enterprise that owned a spinning mill was the company for processing wool and cotton in Strumica. This situation was partly due to the high costs of investments needed for

founding spinning mills. In addition, the return on investment was higher on weaving mills. Investors in the past as today were interested only in profits and for there is no surprise that for a period of time only investments in weaving mills were being made.

The late appearance of the textile industry in the interwar period was due to the lack of capital, industrial energy, and skilled workers. Some foreign companies offered cotton and silk yarn for a lower price than those offered to their domestic markets, with a payment period of one to six months. An important thing to be mentioned is that most of the Macedonian industrial machines were bought second-hand from the economically more developed countries - Croatia, Czechoslovakia, and Germany. These machines were old, and in some cases the amortization was over 50%. This resulted in lower productivity rates and the employment of more work force. In 1938 the first company that worked with 2, and later with 3-4 gins was "Tulbend" from Skopje.

The total capital invested in the textile industry in fixed assets - land, buildings, and machines at the end of 1940 was 17.454.000 Yugoslav dinars (approximately 400,000 US dollars at that time or 4,000,000 US dollars today when calculating the amount using a GDP deflator<sup>[iii]</sup>), or 3.5% of the total investment in industry and mining. In 83.4% of the companies more than 10.297.000 dinars (234,000 US \$) were invested, while in the other 16.6% of companies, 7.157.000 dinars (163,000 US \$) were invested. The textile industry took the fourth place by investments, after the food, electric distribution, and tobacco industry. In 1939 the Macedonian textile sector employed 434 people, or 5% of the industrial employment.<sup>[iv]</sup> The wages were very low, until 1936 the minimum wage not even specified. In 1937 the minimum wage was fixed to 2 dinars per hour (five American dollar cents), but the supply of workers was so high that even this wage was decreased.

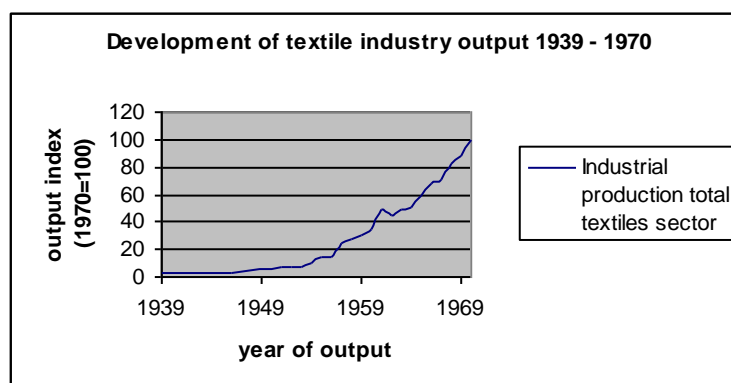
The Macedonian textile industry went through a continuous growth in the inter war period. The production especially increased in the second half of this period. At that time new industrial enterprises were established - "Tulbend" in Skopje, the textile factory "Vardar" also in Skopje, the textile factory Skopje, etc. In this period most of the products were made of cotton, although production of woolen items was also kept. The total output of the textile industry in 1940 equaled to 32.250.000 dinars, where 4.500.000 were woolen products, or 13.83% of the total production of textile sector.

## **Textile and Apparel Industries in Macedonia During SFR Yugoslavia and Today**

With the five year planning program the SFRY government has decided to change the Macedonian economy from primarily craftsmanship to industry. Therefore investment in several key sectors was made: production of electricity, metallurgy, chemistry industry, tobacco industry, leather industry, food processing and textile. According to the five year plan most investments were made in 'production of electricity - 36,6%; than textile industry - 16,7% and nonmetal industry with 12,6% of total investment in the industry sector in the period between 1947-1953'<sup>[vi]</sup>. In textile industry in Macedonia two huge capacities were built: Teteks (in Tetovo) and Makedonka (in Shtip). The former planned to produce woolen yarn and fabrics and cloths; the later was planned to spin cotton yarn and weave cotton cloth. This provided for balanced textile production, which in the previous period was disproportionate. The investment highly contributed to increase of employment and thus if in 1947 the textile sector employed just 393 people (5,3% of total employment in the whole industry)<sup>[vii]</sup>, in 1953, after the capacities in Shtip and Tetovo were built, the employment in the textile sector amounted to 9850 people or 32%<sup>[viii]</sup> of total industrial employment.

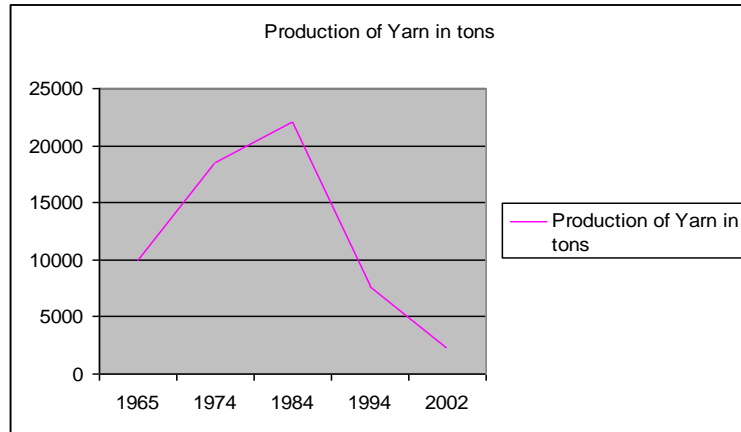
### Output

In socialist times, the textile and the apparel industries in Macedonia grew continuously in the period 1946 to 1989. The growth was particularly strong between 1960 and 1970, the index rising from 35 to 100.

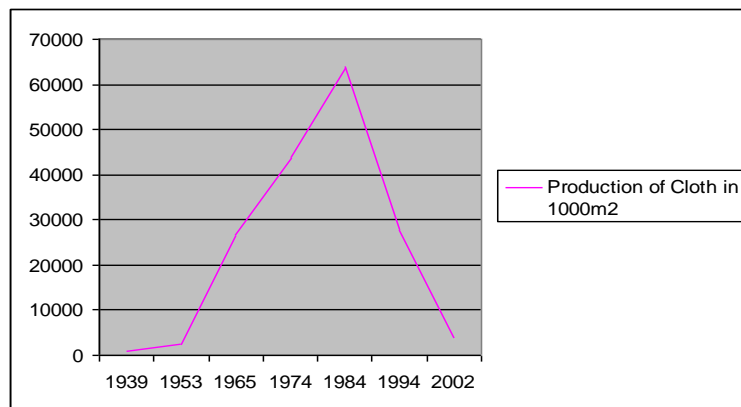




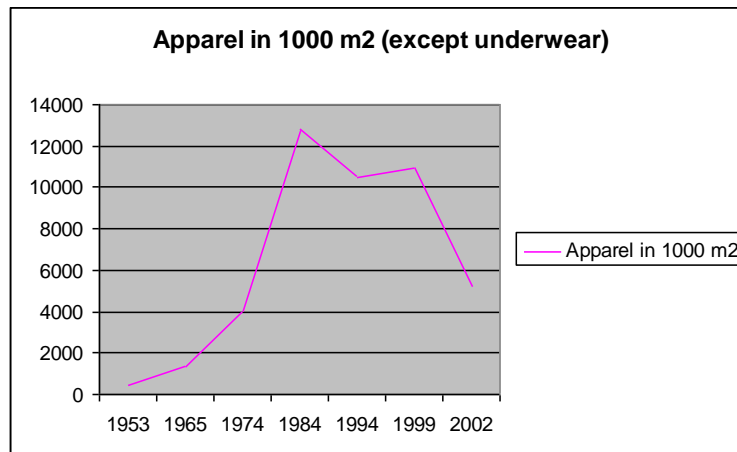
Although the growth in the industrial production in these industries and especially in the textiles sector slowed down in the 1980's the positive trend lasted until 1989. In real numbers, the production of yarn grew from 10007 tons in 1965, to 18562 in 1974 and 22021 in 1984.



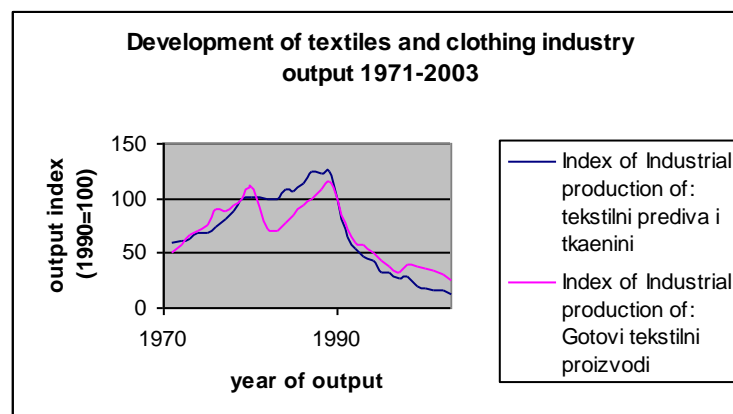
Similarly, the production of cloth grew from 783,000 m<sup>2</sup> in 1939 to 2,493,000 in 1953, and the 26,594,000 in 1965 to the whopping 43,782,000 in 1974 and the fascinating 63,727,000 in 1984.



The production of apparel grew from 175,000 meters in 1946, to 444,000 in 1953, 1,341,000 in 1965, 4,020,000 in 1974, to 12,776,000 in 1984.

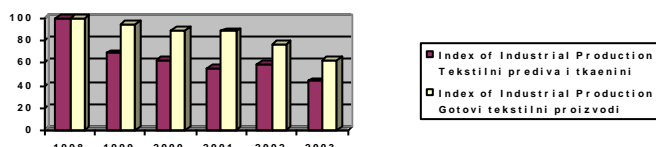


With the year 1990, the sharp decline of this industry began. The decrease was small in the production of apparel 10,451,000 m<sup>2</sup> in 1994 compared to 12,776,000 in 1984 m<sup>2</sup>, but more significant in the textile sector. The difference in the produced yarn in tons in 1984 - 22021, and 1994 - 7583 was threefold while the difference in the produced cloth was also substantial; 63,727,000 m<sup>2</sup> were made in 1984 while only 27,548,000 in 1994. The decline in the sector apparel production lasted until 1996, stabilizing in the following years, until 2000. In the same time, the decline in the production of textiles and fabrics was continuous. The following figure evidences the decline.



The downfall of these sectors however, continued after 2000 being more dramatic for the textile sector.

Figure: Index of Apparel and Textile Production 1998-2003



In the period before 1989, the share of the Macedonian production of textiles and apparel in the Yugoslav production also grew. The Macedonian production of cloth grew from 2% in 1946 to 15% of the Yugoslav share in 1985. In 1985, it was bigger than the production of Bosnia and Herzegovina and not much smaller than that of Serbia; 52703000 in Macedonia and 7294600 in Serbia. As far as Macedonian share of the apparel production in the total Yugoslav output is concerned, it grew from 4% in 1955 to 12% in 1975 to fall somewhat in 1985 to 8%.

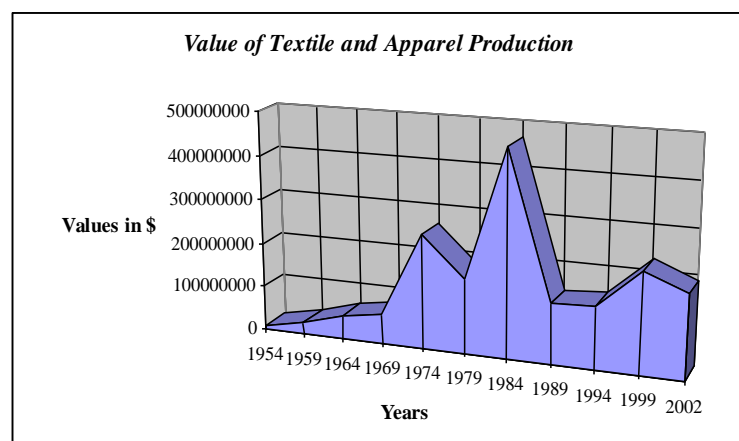
The decline of the Macedonian apparel and textile industry after 1989 is evident if compared to the total Macedonian industry. While in 1990, the share of the production of textile fibers and fabric industry in the total Macedonian industry was 6.3 % in the 2000, it was 2.3, while the share of the production of the industry for production of finished textile products dropped from 10.5% in 1990, to 6% in 2000. Therefore, in 1990, the relation of both sub- sectors in 1990 was 1:1.4 and in 2000, it had changed into 1:2.6. In 2003, the gap has widened to 1:3.5.

Years	Share of Apparel in GDP	Share of Textiles in GDP
1990	10,5%	6,3%
2000	6%	2,3%
2003	7%	2%

For the 2003, the gross output of the manufacture of textiles was 2 percent, and the production of apparel was 7 percent of the total gross output of the industry.<sup>[viii]</sup> Within the total industrial production (index of industrial production), the textile and apparel industries contribute with 8.8 %, manufacture of textiles with 4.3 % and manufacture of apparel with 4.5 %.<sup>[ix]</sup> According to the *Background Study on Macedonia*<sup>[x]</sup> the share of garment industry in Macedonian economy in 2002 was 11,25 % from GDP, 0,65% production of textile materials and 10,60% production of items for clothes, for further processing and for drying of fur. (See Table 17) The ministry of Economy estimates that it participates with 8.84% in the total number of companies in the economy, and contributing to the GDP with over 10%.<sup>[xi]</sup>

### VALUE OF TEXTILE AND APPAREL PRODUCTION

The value of textile and apparel production put in USD has risen constantly from 8,053 million of USD in 1954 through 25,386 million of USD in 1959, 50,543 million of USD in 1964, 66,680 million of USD in 1969 and reached an imposing 258,121 million of USD in 1974. Then, after the decline in 1979 (167,883 million of USD) the overall value of textile and apparel production has reached its absolute peak in 1984 with tremendous 463,615 million of USD.<sup>[xii]</sup> Afterwards the value of textile and apparel production has fallen sharply and “stabilized” in both 1989 and 1994 with 134,378 million of USD and 141,097 million of USD respectively. Then the value of production has increased again with 226,713 million of USD in 1999 and 187,086 million of USD in 2002.



## EMPLOYMENT

These industries also witness decrease in the number of employees. As it can be seen from Figures 10 and 11, the number of workers in these industries had continuously declined in the 1990's, quite sharply in the textile sector, more modestly in the apparel production.

FIGURE 10

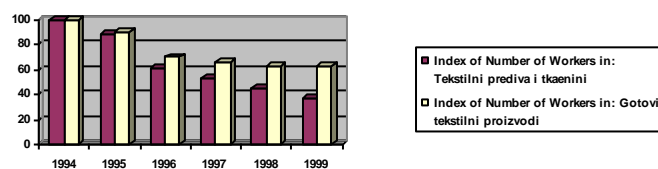
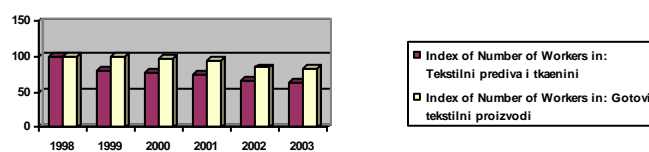
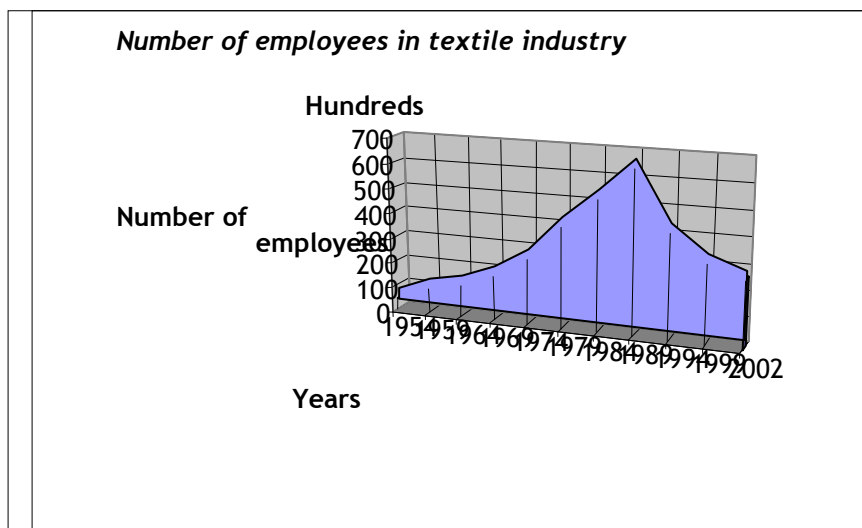


FIGURE 11



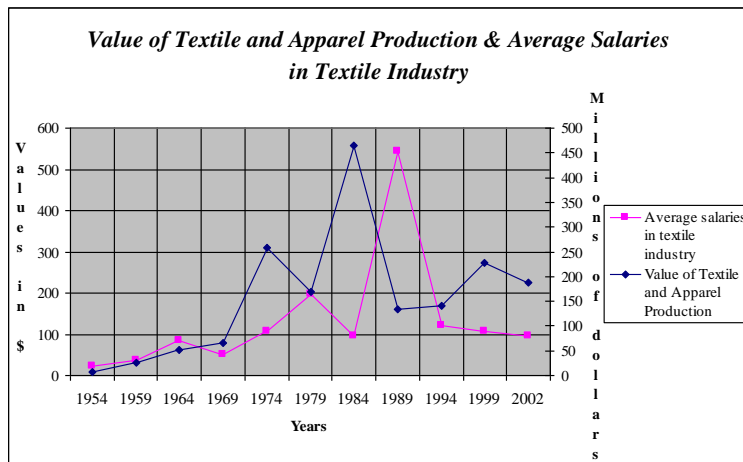
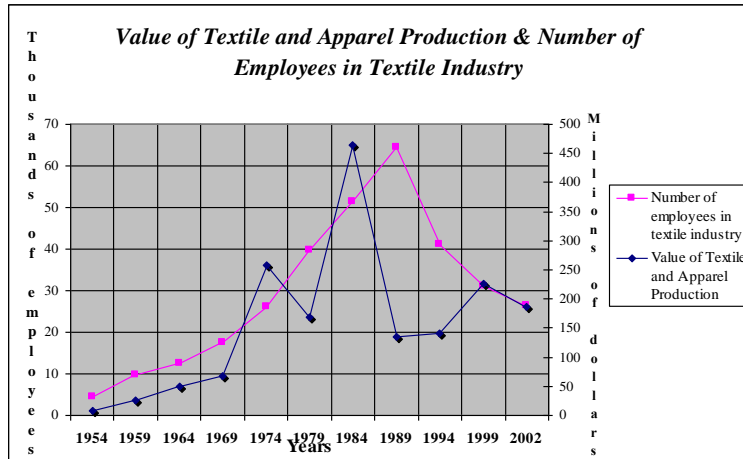


The biggest growth in employment in textile and apparel sector has occurred in course of 70's and 80's. The number of employees in both sector increased from 17.500 in 1969, through 26.200 in 1974, 39778 in 1979 and 51.450 in 1984 to 64.361 in 1989 when the transformation process has began. On the other hand, there were 40.999 employed persons in the manufacture of textiles and apparel in 1994, 31.056 in 1999 and 26.317 in 2002. According to official data by the Ministry of Economy in 2004 there were 36639 employees in the textile and apparel sector.<sup>[xiii]</sup> Out of those 5,059 are workers in the textile, and 31,580 in the apparel sector. Despite the decrease in the number of workers which might have had much to do with the over-employment practices during socialist times, and of the industrial production, the textile and the apparel producing industry are one of the most significant employment sectors in the country, as 8.6% of the registered employed persons work in these sectors.<sup>[xiv]</sup> This industry is a major employer with about 30 % of the total number of employees in the industrial sector.<sup>[xv]</sup> Employment wise it is by far the biggest industrial sector. Thus, in the second industrial branch manufacture of food products and beverages, there are 16938 workers while in the third, the production of metal products there are 9,590 employees.<sup>[xvi]</sup>

## **SALARIES IN TEXTILE AND APPAREL INDUSTRY<sup>[xvii]</sup>**

The combined monthly average salary in both textile and apparel industry amounted to 21,6 USD in 1954 and afterwards it has risen to 36,3 USD in 1959 and 85,3 USD in 1964. Then it fell to 51, 5 USD in 1969 and has increased again in 1974 and 1979 to 106,9 USD and 198,5 respectively.

After renewed decline in 1984 (96 USD<sup>[xviii]</sup>) the average wage in the textile and apparel sector grew to a “record” of 543 USD in 1989.<sup>[xix]</sup> After the dissolution of Yugoslavia the officially registered salaries in the Macedonian textile and apparel industry amounted to 120 USD in 1994, 106,2 in 1999 and 94,6 USD in 2002.



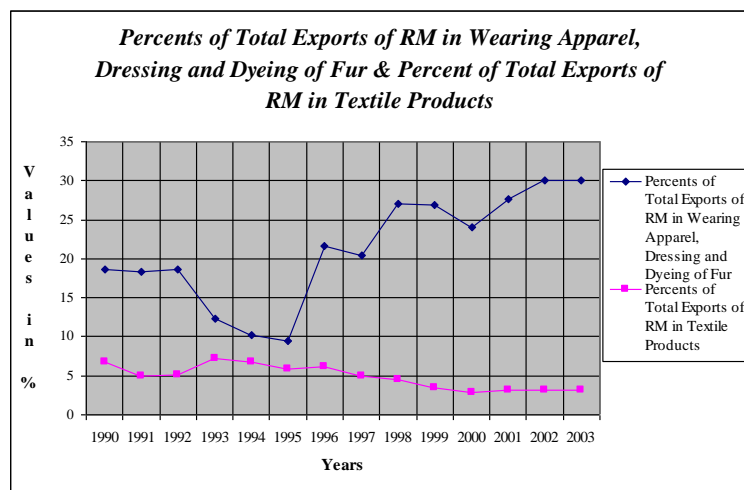
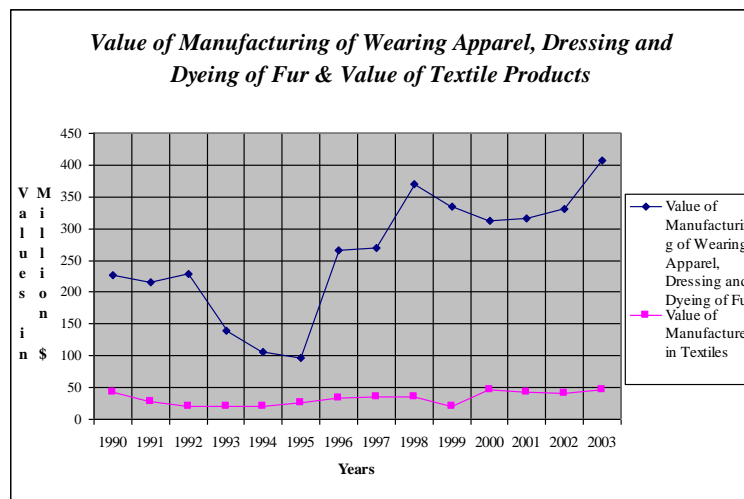


## EXPORT

Apparel and textile production is an important export oriented sector. Within the Macedonia's exports to the EU, in 2003, by far most exported products were exactly the textile products (46.4%),<sup>[xx]</sup> The share of textile and apparel in all Macedonian exports amounted to 25,5% in 1990 (textile products - 6,8%, apparel, dressing and dyeing of fur -18,7%) and than it fall to 15,3% in 1995 (textile products - 5,9%, apparel, dressing and dyeing of fur -9,4%). Afterwards the share of textile and apparel in overall Macedonian exports has started to rise and reached 26,8% in 2000 (textile products - 2,8%, apparel, dressing and dyeing of fur - 24%), 33,2% in 2002 (textile products - 3,2%, apparel, dressing and dyeing of fur - 30%) and 34,2% in 2003 (textile products - 3,1%, apparel, dressing and dyeing of fur -31,1%). In this period, the share of textile products in the overall Macedonian exports has declined constantly while the share of apparel products was growing continuously. The total value of exports of textile and apparel products amounted to 269,85 million of USD in 1990 (textile products - 42.5 million USD, apparel, dressing and dyeing of fur - 227,3 million of USD) As with the share of the overall exports the 1995 proved to be a critical year in regard to value of the export, the combined value amounted to 122,5 million USD (textile products - 26,3 million USD, apparel, dressing and dyeing of fur - 96,2 million of USD). The situation has improved in the following years and in 2000 the overall value of exports of textile and apparel products was 357,9 million USD (textile products - 46,3 million USD, apparel, dressing and dyeing of fur - 311,6 million of USD), than 371,1 million USD in 2002 (textile products - 40,4 million USD, apparel, dressing and dyeing of fur - 330,7 million of USD) and finally 453,4 million USD in 2003 (textile products - 46,5 million USD, apparel, dressing and dyeing of fur - 406,9 million of USD).<sup>[xxi]</sup> On the list of major Macedonian export products in the first quarter of 2003 according to the highest rate in the total export value, apparel products are four of the top 10, women blouses leading the list. (Table 12) This basically means that from the products Macedonia exports, the



most money it gets is for apparel items. The biggest export markets in 2003 were: Germany 38%, Greece 15%, USD 8%, Italy 7%, Holland 6%, Belgium 5,5%, UK 5%, France 4%, Slovenia 2% and other countries 9,5%. In 2004 apparel and textile exports contributed to 32% of the total exports of Macedonia. (29%, and 3 % respectively) One can conclude that despite the 1990's and early 2000's decline, the textile and apparel production is the biggest economic sector in Macedonia. What is important for our study is that today, a high concentration of Macedonian medium and the large companies (twenty) is present in the town of Stip and that about 15% of the country's apparel producers are located in Stip.



## The History of Textiles and Apparel in Shtip: “Astibo” and “Makedonka”

Following the Second World War Macedonia underwent a period of rapid industrialization. From the pre-war 7,371 persons employed in the industrial sector, the numbers grew to 13,634 in 1947, 20,540 in 1950, 36,653 in 1956, and 53,959 in 1960. <sup>[xxii]</sup> The cotton processing “Makedonka” together with the producer of woolen products “Todor Cipovski Merdzhan (Teteks)” from Tetovo, and the silk factory “Noncha Kamishova” from Veles, was considered as a basis of the development of the Macedonian textile industry. <sup>[xxiii]</sup> The textile factory “Pamuchna Industrija Makedonka”, was conceived of and formally speaking founded in 1950. Based on a business plan by engineer Pavel Domicelj of the Slovenian based *Tekstil Projekt* in July 1950, the construction of a colossal object began on an empty field called “Ezhova Poljana [the field of hedgehogs] next to the road Shtip-Kochani. <sup>[xxiv]</sup> The construction was finished in April of 1952, when production of textile fibers was initiated in the spinning plant with 120 persons. <sup>[xxv]</sup> Most of the machines were new, bought from the UK based company Platt.

Picture: The colossal object of the factory Makedonka built in the early 1950’s.

The compound was thoroughly planned with wardrobes, showers, a restaurant and a shop, an ambulance, laboratories and administrative offices. At that time it was one of the biggest and most modern factories in the whole SFR Yugoslavia. <sup>[xxvi]</sup> As a matter of fact, in 1954 the GDP of “Makedonka” was 40 % of the Shtip region (Ovchepolska okolija), and 54 % of this regions’ industry). A year later, in 1955, Makedonka’s share of the GDP was 65% and 80% of the GDP of the industry in this region. <sup>[xxvii]</sup> The “Makedonka” complex included a restaurant serving one free meak for the employees per day, three discount stores, and a library. <sup>[xxviii]</sup> For the needs of its workers, the factory built additionally a complex of apartment buildings so that in 1962, “Makedonka” owned 171 two - room flats, and 120 one - room apartments. “Makedonka” gave credits with no interests to children of employees that went to universities. Credits were available for other purposes as well. <sup>[xxix]</sup> Since 1970 Makedonka also had a camp on the shores of the Ohrid Lake, a summer resort on the mountain Plachkovica, and a hotel at lake Dojran. The workers using the hotels paid symbolic prices, the factory essentially subsidizing the resorts. <sup>[xxx]</sup> A KUD “Makedonka” [an artist/performers group] was also founded in 1965 with around 11 performances per year, 2-3 concerts in the town and 8-10 elsewhere. They won numerous awards, diplomas and plaques. <sup>[xxxi]</sup>

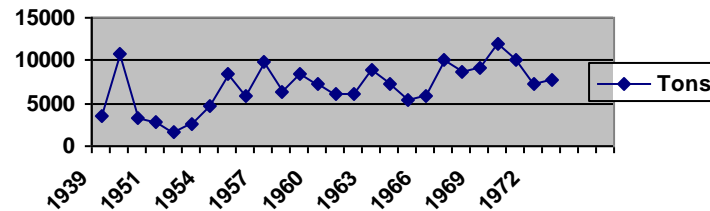
Picture: The plaque indicating the beginning of work in Makedonka.

In the early stages “Makedonka” lacked educated personnel. In 1955, when the factory had a total of 1.224 workers, only 14 had “high qualifications/skills”, 124 had basic qualifications/skills, and 448 were semi-skilled, while 638 had no skills/qualifications.<sup>[xxxii]</sup> Thus, for the needs of the factory, in 1954 a Industrisko-tehnichko uchilishte and in 1955 a Tekstilno-tehnichko uchilishte were opened. In 1960 these schools were closed; instead a Uchilishen Centar za Obrazovanie na Kadri od Tekstilna Struka was opened.<sup>[xxxiii]</sup> Also, within the Rabotnichki Univerzitet specialized technical courses were organized for the education of workers. In 1955, about 530 workers followed these courses.<sup>[xxxiv]</sup> Within “Makedonka” in 1959 a Centar za Struchno Obrazovanie na rabotnicite was opened aimed at further education and specialization of the workers. The factory also gave various stipends (29 in total for 1956, 82 in 1961, for example) to students from secondary and vocational schools, as well as university students.

The development of the company was not only marked by an increase of size but also by the introduction of new production lines. In 1955, the weaving plant (‘tkaechnica’) and in 1957, the enrichment capacity (‘oblagorodilnica-dorabotuvachki kapaciteti’) sections were added to the spinning mill, while in 1957, another section was integrated in the factory, the ‘vigonj predilnica’- (kind of a spinning mill). Thus, the company grew from a spinning mill unit to a cotton fiber processing (prerabotka na pamuchni tkaenini) company. “Makedonka” produced three different kind of products: yarn, raw fabrics, and final products (‘predivo, surova tkaenina, gotov proizvod’). Its design unit grew so that in 1971, 400 different patterns and designs were made, while at the beginning years they could not make more than 30. In 1983 “Makedonka” built the factory for the production of jeans, buying the license to produce Wrangler from the US.<sup>[xxxv]</sup>

“Makedonka” profited from the fact that at that time cotton was grown in the Shtip region and all around the country.<sup>[xxxvi]</sup> Although the data shown here documents the production since 1939, cotton was produced in this country for a long time. There is evidence that Shtip, had many cotton fields at the end of the XIX century.<sup>[xxxvii]</sup> During Yugoslav times Macedonia alone supplied 90% of the cotton consumption in the federation. As can be observed from Table 21 cotton was produced in Macedonia in great quantities.<sup>[xxxviii]</sup> The peak in the cotton production was in the early 70’s.<sup>[xxxix]</sup>

Figure: Cotton Production until 1973: Total Production in Tons



The significance of this company was so high that the supreme Yugoslav leader Josip Broz Tito visited it in May 1959. The factory products were sold all over former Yugoslavia and were exhibited at industry fairs in Zagreb and Leskovac. “Makedonka” had partners throughout the country such as “Ateks”, “Srbijateks”, Tekstilpromet”(Zagreb), “Slavonijateks” (Osijek), “Tekstil” and “Veletekstil” from Ljubljana, “Stoteks” from Kraljevo, “Nishpromet” from Nish, and “Trgotekstil” and “Skopski Magazin” from Skopje, as well as representative offices in seven cities of former Yugoslavia: Belgrade, Kraljevo, Zagreb, Sarajevo, Ljubljana, Shtip, Novi Sad.<sup>[xi]</sup> At that time, 80% of the production was contract manufacturing.<sup>[xii]</sup> The deals were made through intermediaries such as, “Makoteks” from Skopje and “Tekstil” from Zagreb. A small part of the deals were done through “Jugotekstil” (Ljubljana), “Centrotekstil” Belgrade. Thus, as early as 1957 the company began exporting. In 1959, one of the successful years, the company exported half of its production; about 30 % of the export production was sold to Burma, and 19 % to Western Germany.<sup>[xiii]</sup> While in early 70’s, its export was worth more than 3 million US dollars, the main role seems to have been inner-Yugoslav trade. In 1977 the factory exported 20% of its production. In 1981 “Makedonka” exported for the amount of 227 million dinars, while in the first months of 1982 the exports were worth 320 million dinars, out of which 263 million in the Western markets.<sup>[xiv]</sup> In 1983 “Makedonka” exported 3.5 million USD.<sup>[xv]</sup>

In the 1970’s the idea for joining forces with other textile and apparel companies was realized and “Makedonka” become part of the “Inteks” conglomerate.<sup>[xvi]</sup> Indeed, “Makedonka”, invested in the establishment of the following factories: the weaving plants “Maleshevka” from Berovo, “Ovche Pole” from Sveti Nikole, the apparel producers, “Partizanka” from Delchevo, “Alkoloid” from Berovo, and the weaving plant and manufacturer of terrycloth, towels, beach towels, bedding, and bathrobes, “Frotirka” from Delchevo. All three, Berovo, Delchevo and Sveti Nikole are very small mountainous towns located in the Eastern region of Macedonia. The idea was that these factories would economically use the cloth produced by “Makedonka.”<sup>[xvii]</sup> The apparel

producer “Astibo” also started out as a production line of “Makedonka”. In fact, the textile industry of Shtip was pertinent to development of other industrial capacities in the region.

#### Map of Macedonia with Berovo Delchevo and Sveti Nikole

In the first year of its existence, “Makedonka” employed a total of 500 persons<sup>[xlvi]</sup> growing continuously. In 1955, the factory had already grown to a total of 1224 workers, while in 1961 the number of employed persons in “Makedonka” grew to 2786.<sup>[xlvii]</sup> Most of the workers were young, only 14 % being older than 40. At that stage, by a State command, many villagers from Shtip area were made to work in the textile factory. Hence, in 1955, the factory grew to a total of 1.224 workers, while in the early 1960’s the number of employed persons in “Makedonka” grew to 2.786.<sup>[xlix]</sup> In mid 1960’s it employed 3.070 workers.<sup>[li]</sup> In 1970 there were 3.500 employees, 80 of which with university degrees, 188 highly skilled, 862 skilled, 648 semi-qualified, and 1.281 with no skills, 268 high school graduates, 83 primary school graduates etc.<sup>[li]</sup> The number grew to 3700 persons in 1973 and 4160 in 1977.<sup>[liii]</sup> In 1979 it employed 4.300 people and produced 19 million meters of raw and 17 million meters of finishing fabrics.<sup>[liii]</sup> The maximum number of workers registered in “Makedonka” was 5900, in 1987.<sup>[liv]</sup> Since then the number continued to decrease until the liquidation of the company in 2001.

Year	“Makedonka” Number of Workers
1952	500
1955	1224
Early 1960’s	2786
Mid 1960’s	3070
1970	3500
1973	3700
1979	4300
1987	5900
1991	4200
1995	3500
December 2001	3009

## The Story of Astibo

Having “Makedonka” produce fabrics and cloth, it came natural that an apparel company is also founded.<sup>[lvi]</sup> Thus, “Astibo” was founded in 1962 as a department within “Makedonka” with 119 employees and grew quickly.<sup>[lvi]</sup> At the beginning, the company was situated in the emptied depots of the Tobacco company “Monopol.” In 1967 it had 320 employees and was transformed as an autonomous socialist entity, a so-called ‘OOZT’ (BOAL in English, OOZT stands for basic organization of associated labor), Mihail Nedkov becoming the director. At this time there was a world recession, which hit the textile industry, and Makedonka’s production units outside of Shtip, in other towns of Eastern Macedonia, as well as “Astibo” got an autonomous status. “Astibo” at that time was called OOZT “Konfekcija Makedonka Shtip.” Only in 1978 however, with the organizational reorganization of the BOALS “Mashka Programa-Mladost”, “Solidarnost”, “Zhenska Programa”, “Egzotik”, “Detska Programa-Pinki”, “Galaksija”, “Opshtestvena Ishrana”, and “Astibo Komerc”, “Astibo” became a separate company a “rabotna organizacija modna konfekcija” (Work Organisation for Fashion) Astibo.<sup>[lvii]</sup> Astibo’s core business was the design, production and distribution of men’s, women’s and children’s ready-made garments.

In 1972, “Astibo” had about 2.000 employed persons. Following a policy recommendation to open branches in underdeveloped regions of the country in order to absorb a high number of unemployed persons there “Astibo” founded production units in a number of towns mainly in the Eastern part of Macedonia such as Makedonski Brod, “Brodchanka”, Probishtip, “Proteks”, Sveti Nikole, “Astibo”-Sveti Nikole, Kriva Palanka, “Palanchanka”. Radovish, “Radovishanka”, Vinica, “Vinichanka”, Kratovo, “Kratovchanka” and Makedonska Kamenica, “Vera Jocikj.”<sup>[lviii]</sup> Many of these units opened in the Eastern regions of Macedonia like “Vera Jocikj” were established as a result of the communist leadership decision to employ the spouses of the men working in the mine pits in Eastern Macedonia and despite the lack of interest in this endeavor by “Astibo” itself.<sup>[lix]</sup> Taking into account all workers in Shtip and elsewhere there were a total of 5.500 workers employed in Astibo.

A decade after it was established the conglomerate became the biggest producer of light (casual) apparel in all Yugoslavia and one of the top five producers of apparel overall, with 60 own shops throughout the country.<sup>[lx]</sup> At this time Astibo began exporting its production making contracts with foreign buyers, “manufacturing pre-ordered items already paid by the partners abroad.”<sup>[lxi]</sup> Exactly in this period 1973-1980, “production of textile and garment sharply decreased in the old industrial regions, which underwent a process of ‘de-industrialization’, while peripheral regions in South and East, with or without textile tradition, were chosen for new investment in textile and garment production.”<sup>[lxii]</sup> By 1978 “Astibo” exported half of its production.<sup>[lxiii]</sup> In 1983

“Astibo” exported goods worth 2.4 million USD.<sup>[lxiv]</sup> The following year the exports were worth 4 million USD.<sup>[lxv]</sup> In the first eight months of 1985 “Astibo” exported 5.3 million USD.<sup>[lxvi]</sup>

The factory grew and in 1975 it had 3200 employees.<sup>[lxvii]</sup> In the early 1980’s “Astibo” had 3.700 workers and was well known throughout former Yugoslavia.<sup>[lxviii]</sup> “Astibo” grew so much that it had a health care institution (zdavstvena stanica), a restaurant, and a day care center for the employee’s children (detska ustanova).<sup>[lxix]</sup> How well organized the factory was at that time we can see by the fact that the health care institution had a unit for gynecological treatment offering among others counseling about the use of contraceptives, a lab, a pediatrician, and a dentist unit.<sup>[lxx]</sup> The company became an additional important element for the town’s life as it built apartments for the workers, had its own restaurant, and kindergarten for the children of the employees. In total, the whole complex of buildings of “Astibo” was 35.000 square meters. The company also had a “B” category hotel “Garni” (6 rooms, 3 doubles and 3 singles) in the center of Shtip, built in 1978. In the 1970’s “Astibo” provided 1 million Yugoslav dinars for stipends and credits for the studies of the children of the employees.<sup>[lxxi]</sup>

## **The Decline and the Fall of Makedonka**

Although decorated with a special medal by Tito in 1977, “Makedonka” had a number of problems that lead to its decline in the 1980’s and collapse a decade later.<sup>[lxxii]</sup> As “Makedonka” produced basic fabrics from cotton much of it was produced by local agricultural workers.<sup>[lxxiii]</sup> The problems for “Makedonka” began when from 1973 onwards, as you can see from the figure bellow a significant drop in the cotton production occurred in Macedonia. Starting with the 1970’s the factory increasingly relied on the import of basic materials such as cotton.<sup>[lxxiv]</sup> What were the reasons for the decrease of cotton production in Macedonia? In the early 70’s there was huge optimism regarding the future of Macedonian cotton industry. The dams in Vodoca and Tulija were built providing a complete system for irrigation necessary for increasing the production of cotton crops while also 50 harvester machines/combines (kombajni) have been bought form USSR for agricultural cooperatives (ZIK’s) from various parts of the republic.<sup>[lxxv]</sup> In fact, an increase in the production of cotton crops was necessary since almost the then entire production was used by “Strumicanka” and “Makedonka”. However, the optimism was short lived and a decrease of the production of cotton occurred. Despite the improvement of some of the factors influencing production such as irrigation the production of cotton was highly exhausting, the growing up period long, and the profits very low in comparison to required work. Additionally, part of the problem was that the mentioned 50 combines were at the disposal of the ZIK’s but not of the individual producers (who were forced to grow their crops manually) of cotton who were dominant in cotton

sector. There were also not enough machines for separating the cotton seeds from the fibers (masini za oddeluvanje na vlakno i seme).

Moreover, on the world markets of cotton in the early 1970's some major producers such as Australia emerged while others such as China, India and Brazil had a significant increase in their yield lowering the prices of this commodity. When in the 1970's China began integrating its economy to the global markets the supplies of cotton and in that regard also the stocks of cotton grew significantly and this automatically affected the world cotton prizes, and led to their drop.<sup>[lxxvi]</sup> Thus, as there was a significant drop of the price on world market of cotton in the early 70's, in Macedonia it became commercially more viable to import cotton from socialist partners in Egypt or the USSR instead of producing its own one. In the 1980's almost all the cotton used in "Makedonka" was imported.<sup>[lxxvii]</sup> In fact, "Makedonka" exported fabrics to the Eastern block in exchange of cotton. In the first five months of 1982 the exports to the former socialist block worth 56 million dinars were used to obtain cotton.<sup>[lxxviii]</sup> In the mid 1980's about 90% of the cotton used for production were imported.<sup>[lxxix]</sup>

Figure: Deflated Cotton Prices Indices 1970-2001

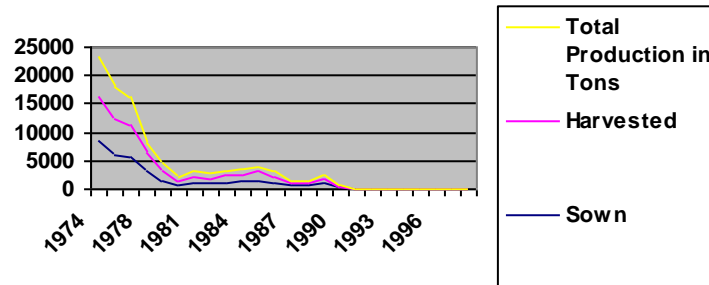


Source: *Agricultural Commodities: Profiles and Relevant WTO Negotiating Issues*

As a result, the Macedonian farmers decreased the production of cotton and gradually switched to cultivating other more profitable agricultural products. In the course of time the new facilities (dams, system of irrigation) and equipment were used for purposes of growing ranogradinarski products. Today the Institute for Agriculture in Strumica (Institut za juzni zemjodelski kulturi) is practically the sole place in Macedonia where cotton is still being grown and for scientifically purposes only.<sup>[lxxx]</sup>



Figure: Cotton Production in Macedonia 1974-1997



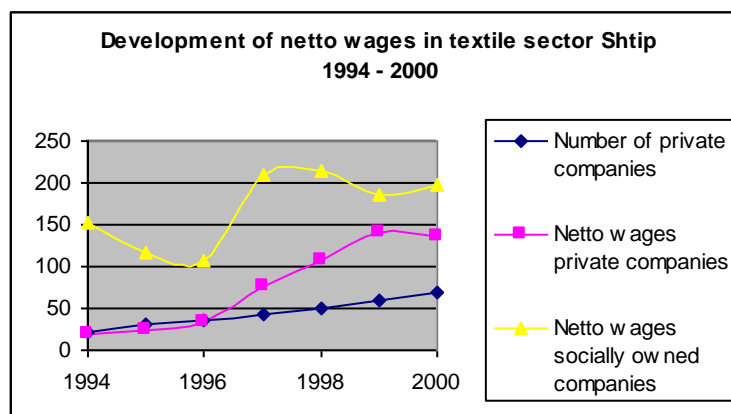
As the production decreased after 1973, less regions were producing cotton so that by 1992 Veles produced 7, Kavadarci 12, Gevgelija 4, and Valandovo (Strumica region) 6 tons, while from 1995 to 1997 Valandovo was the only region where cotton was produced in the country. In 1998 cotton was not anymore grown anywhere in Macedonia.

Another of the core problems was the over-employment in the factory as a result of party influence on the economy. The massive industrialization in the post war period was undertaken without much concern over the actual need of employed persons. More persons were employed in the new factories than needed, and the productivity was lower than the optimal one.<sup>[lxxxii]</sup> Already in the early 1960's for example the economic logic for establishing weaving plants and apparel producers using the "Makedonka" fabrics proved wrong as the satellite factories in Berovo, Sveti Nikole, and Delchevo, began making losses. Yet these and other plants, derogatorily referred to as "politichki fabрики [political factories]" had to be opened in order to absorb the high number of unemployed persons in this region.<sup>[lxxxiii]</sup> The yearly losses of the Berovo factory for 1965 were estimated at 50 million Yugoslav dinars. The second factor influencing the economic decline of the factory was bad management. The third factor causing the decline of the "Makedonka" is located in the Yugoslav economic difficulties throughout the 1980's and the early 1990's and the collapse of the market caused by the wars of the dissolution of the federal republic. In the 1980's the company was not making profits but the system *had* to pay the wages of the workers. To pay the salaries the management obtained funds through loans from various banks, even from the mining company *Sasa* from Makedonska Kamenica. The oldest two production facilities, the spinning and the weaving one (predilnica and tkaechnica) made losses and a possible solution was to split the factory into smaller units. However, the senior management led by the manager Panche Brashnarov in the period 1989-1992 refused any changes of the structure of "Makedonka" even if they would have helped the economically healthier parts of the factory survive the pending transformation easier.<sup>[lxxxiii]</sup>

The wars and the disintegration of Yugoslavia negatively affected the working of the factory, as in the early 1990's not only there was a collapse of the Yugoslav market for which the company was positioned but more importantly, "Makedonka" could not realize its financial claims from firms throughout the former Yugoslavia.<sup>[lxxxiv]</sup> In 1992 Delcho Lazarov became the new manager (generalen director) and he was ready to start active bankruptcy proceeding in cooperation with the government. According to the liquidation program prepared by Macedonian government, the same year, the two most problematic units the spinning and weaving plants were supposed to be liquidated and sold to interested parties.

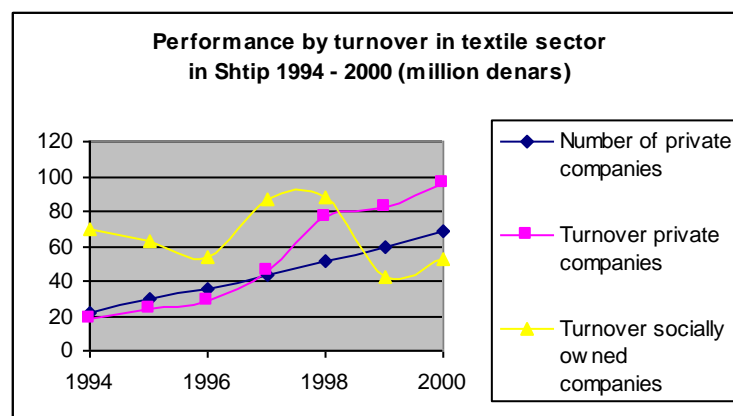
### The Decline: Parts of Makedonka Today

As "Makedonka" continued to make financial losses in the early 1990's, it was included in the special restructuring program of 25 biggest loss - making companies in the country.<sup>[lxxxv]</sup> The government aimed at a reorganization of the company and tackling the over-employment issue through a program of the World Bank. The funds provided by this program as a let off money for the over-employed in the "Makedonka" amounted to US\$ 1.8 million.<sup>[lxxxvi]</sup> Zivko Tolevski, the union leader of "Makedonka", did not agree with this solution, and organized a new strike. There was a commotion and the process of liquidation was postponed while production went on for a while despite losses. The salaries were paid by loans for which the collateral provided were parts of the non-essential property of "Makedonka." Such a situation was unsustainable and the workers were forced to take a leave and receive 70% of their wages.



The laying off was conducted in two phases, so that in March 1995 in the Employment Bureau in Shtip a financial compensation and layoff money to a second group of 650 dismissed workers from "Makedonka" were paid. The 650 workers have been declared technological surplus in "Makedonka".<sup>[lxxxvii]</sup> In October, 1995, the government decided to initiate the process of privatization. According to a decision of the Government Commission for Transformation of Public Enterprises, which have considered the reports of the process to date of transformation of 13 (of 25) low-producing enterprises, seven such firms received the "go-ahead" for privatization, one of them being "Makedonka" from Stip.<sup>[lxxxviii]</sup> The following year, the Agency for Privatization decided to transfer the debts of "Makedonka" to eight separate legal entities which were evolved from the separate departments of the factory. However, the eight new entities also made losses and continued with poor economic performance.

Since the reorganized separate entities did not work well in the following years either, in 2000 the government initiated a bankruptcy procedure. The winner of the international tender was Zoran Krstevski, an Italian with a Macedonian background. He planned to reorganize the factory step by step, to replace the old machines by new Italian ones and to reemploy "Makedonka" workers. He wanted the legal proceedings of buying the company completed as soon as possible but was faced with organized protests by the workers who did not even allow him to enter the premises of the factories he was to buy. Upon such a welcome Mr. Krstevski decided not to invest in "Makedonka" and the first attempt of privatization failed. Later on there were also unsuccessful efforts to privatize the company through the model of manager-workers buyout.<sup>[lxxxix]</sup>



Although privatization seemed as the most viable solution by 2001 none of the units of "Makedonka" was yet privatized, due to as some maintained, "the government's undefined attitude towards companies that have been making losses and which should have been sold or closed long ago as required by international monetary experts have prevailed."<sup>[xc]</sup> The main problem with the

privatization of “Makedonka” was the fact that since the changes of the political system and the beginning of the decline of the company the machines, the other equipment and the facilities have not been maintained regularly and any buyer had to make huge investments to repair them and restart production.<sup>[xcii]</sup> By the end of the year the government decided to liquidate “Makedonka” selling it piece by piece. At the time of liquidation, in 12/2001 the company had 3.009 workers registered.

By 2003, one by one the new legal entities springing from the different Makedonka’s units had been privatized as follows.

The “Makedonka” privatized units <sup>[xcii]</sup> :	Number of employed <sup>[xciii]</sup>	Bought by legal entity (individual) used today by	Number of employed in 2004/5
Linen/Postelnina	208	Makpromet (Mile Atanasov) rent out to “Mikoteks”	Mikoteks: 180 workers
Spinning mill / Predilnica	742	Makpromet <sup>[xciv]</sup> rent out to Bargala	Bargala: 986 workers
Weaving mill / Tkaechnica	1227	Oaza (Slave Ivanovski and Ljupcho Mandzhukov) <sup>[xcv]</sup> , rented out to EAM, Elan Trejd, and Proteks As. Politeks owned by Oaza.	Politeks, (fabrika za proizvodstvo na frotir i finalni proizvodi): 5 (0) Proteks As: 10 workers to expend to 50 EAM: 45 workers

			Mikoteks: 180 workers  Elan Trejd (furniture producers):
Jeans / Denim	584	Undefined ownership Metodija and Igor Smilenski rented out to, Textil Invest Denim, Tekstil Invest Konfekcija, Ilinden Tekstil	TID: 130 workers  TIK: 80 workers  Ilinden: 100 workers
Forwarding and transport / Shpedicija i Transport	38	The Kit-go firm (owned by Krum Gogov)	
Services and Energy / Usluzhni Dejnosti i Energetika	81	Bobo Menvachnica (Riste Micev)	Usluzhni Dejnosti i Energetika 15
ROS (rezervni delovi, opremuvanje i servisiranje- maintenance of electric machines transformers and production of mechanical parts)	36	Blagoja Temelkovski from Skopje owner of CER, registered a new company ECM to run Ros	ECM 20 plans to expend to 36
Opshtestveni Standardi	93	Preciz (Toni Manev) rent out	Maxima: 185 workers

(services)		to “Maksima”	
Hotel Makedonka, lake Dojran, kindergarden, restaurant & 3 shops		Preciz	
Total	3009		1891

Much of the space of in Makedonka was bought by different owners are rented out. Politeks, a company producing terrycloth, towels, beach towels, bedding, and bathrobes (frotir), is owned by Slave Ivanovski and is situated in a small space within former AD Tkajacnica. In June this year the company was liquidated and is offered for sale together with the machines and the premises. At the moment there are 20 machines bought in the 1970’s from which part of can be renovated and used for production. Before the transformation 254 persons worked in this unit of AD Tkaechnica. When Mr.Ivanovski bought “Politeks” there were 100 workers of which only five were employed by the new owner. The workers hope that the new owner of “AD Jeans” the selling of which is scheduled for 6<sup>th</sup> of September 2005, will take interest in “Politeks” and buy it too.<sup>[xcvi]</sup>

A big part of the “AD Tkaechnica” of about 6000 m2 was rented out on a ten year lease to the Greek company “Proteks As.”<sup>[xcvii]</sup> This company’s primary activity is the production of wool yarn from raw wool, intended for carpet production. According to the manager Petar Dimitrovski currently the number of employees is 5, but after one year of preparation they are planning to start with the production in the summer and employ another 50 people, former “Makedonka” workers.<sup>[xcviii]</sup> For the beginning of production, they plan to import raw material, wool from Greece, but also to buy such from Macedonia in the future. The installed capacity production is about 50/60 tones per month and the plan is that the entire production is sold at foreign markets, UK mainly, and Germany and Denmark. The machines for production are twenty years old, made in Italy and Belgium, moved to “Makedonka’ from the other company of the owner based in Larissa. The maintaining of the machines and the transport is provided by the Greek owner. By the end of August “Proteks As” started with trial production of wool yarn, employing 10 people.<sup>[xcix]</sup>

Yet another part of AD “Tkaechnica” was bought by the Shtip apparel producer “EAM”. According to the owner of AD Tkaenini, Slave Ivanovski it is most profitable to rent or sell parts of this former “Makedonka” unit.<sup>[c]</sup> He would like to make “Makedonka” a duty free zone and to attract foreign investors. Another idea he has is to turn the “Makedonka” complex into a university.

Although he has different ideas what to do with this property he is sure not interested in opening an apparel producing unit there fearing cheap Chinese imports.

In the AD Jeans & Denim there are 2 textile companies that produce today: "Textil Invest Denim" (with 140 workers) producing cloth for a Turkish company, and "Tekstil Invest Jeans" producing lohnveredelung clothes. The apparel producer "Mikoteks" rents out the former AD "Postelnina." In the former AD Transport i Spedicija the apparel company "Kit-Go" is situated, while the shoe producer "Bargala" has rented the former AD Predilnica. The apparel producer "Maksima" rents out the former AD Opshtestveni Standardi. The company that bought AD Opshtestveni Standardi, "Preciz" is now also the owner of the hotel "Makedonka" on the lake Dojran; the kindergarten, the restaurant; and three shops. Furthermore, in October 2004, Blagoja Temelkovski became new owner of the former "AD ROS" establishing a new company ECM to run this unit.<sup>[ci]</sup> Their primary activity is reparation and maintenance of electric machines transformers and production of mechanical parts. The new owner inherited the old machines, and until now, did not invest in buying new and modern machines. Finally, Riste Micev, is the owner of the former AD Energetika does not want to rent the locality because this unit supplies energy to the other firms and makes profit out of it.<sup>[cii]</sup>

During the liquidation of "Makedonka" much of the equipment was disbanded and stolen. During the privatization process when the trustee was Dimitar Adzhiev, eight of the newer machines were relocated to the textile factory "Astibo" from Berovo. There is no document testifying if the machines were sold or rented out.<sup>[ciii]</sup> Although the police was informed no investigation was initiated. Many people from Shtip know that part of the machines from "Makedonka" are in Berovo it is a public secret. The other machines from "Makedonka" were left to the new owners to decide what to do with. Some of them were quite new. In 1997 in the "oblagoroduvanje/ finishing" unit 4 new machines were bought from Switzerland worth around million Euros. These were up to date models and no other company in Macedonia had such machines. The new owners of AD "Tkaechnica" however, did not find much use of these machines and disbanded them and sold them as scrap metal in Macedonia and Bulgaria. In the "AD Predilnica", the faith of the machines was no different, bulldozers coming in destroying them before being sold as useless metal. sostojbata ne bila poinakva. Only the machines from "AD Ros" survived the transition and are still used for production.

### **The Decline and the Transformation of Astibo**

In the early 1980's "Astibo" had problems with sales on the domestic markets. As payments from wholesale retailers were regulated to be made within a time framework of 90 days the rampant Yugoslav inflation at that time depreciated much of the money received at the actual time of payment. Therefore, the management decided to step up exports instead.<sup>[civ]</sup> So once in the early 1980's "Astibo" faced financial difficulties it began working on the basis of the "lohnveredelung" production. This job was easy to do as the foreign partners, mainly German ones, provided all the necessary materials and "Astibo" had to do only stitching and sewing. Unlike the 1970's "Astibo" now did not need anymore to develop own products and sell them to foreign partners; neither it had to purchase the materials for manufacturing.<sup>[cv]</sup> Already at that time about 60% of the Yugoslav apparel producers worked with contract manufacturing producing pre-ordered apparel by Western companies.<sup>[cvi]</sup> In 1982 about 85% of all the "Astibo" exports were with the lohnveredelung system. Exports amounted to 40% of all production, and were worth 1.2 million USD, 80% of which made on the Western markets. <sup>[cvii]</sup> To facilitate the process in April 1985 "Astibo" becomes part of the "Inteks" conglomerate.<sup>[cviii]</sup>

Meanwhile, the number of workers of "Astibo" grew to the record number of 4800 in 1987.<sup>[cix]</sup>

Year	"Astibo" Number of Workers
1962	119
1967	320
1972	2000
1975	3200
early 1980's	3700
1987	4800
end of 1990's	2000

At this time 80% of the production was exported. By 1989, "Astibo" had grown into an independent business operating seven independent factories on a single site which, during the 1990s, before the company ran into financial difficulties, produced an estimated 2.5 million finished garments per year. At that time, over 90% of production was lohnveredelung-work/contract manufacturing exported to Western Europe (including Germany, the Netherlands, Denmark and Belgium) and the



USA. The own production was sold through the chain 28 retail stores throughout former Yugoslavia. In general, “Astibo” was a relatively successful company before the collapse of the old system.

After the dissolution of Yugoslavia in February 1991, in independent Macedonia, the units outside of Shtip became independent firms while “Astibo” became a joint stockholding company (Akcionersko Drushtvo).<sup>[cxi]</sup> In the period of transition the management founded a number of new limited liability companies (drushtva so ogranichena odgovornost), such as “Astimpeks”, “Astiprom”, “Astigros”, “Astibo-turs”, and “Astibilans”. A number of factors lead to Astibo’s collapse in the 1990’s: one of the most important related to the regional turbulences and the wars of Yugoslav succession which disrupted trade contacts with Western buyers of apparel. “Astibo” also could not realize its financial claims from firms throughout the former Yugoslavia.<sup>[cxii]</sup> On the other hand, over-employment was a great problem as the company had way too many employees than needed in the 1990’s.<sup>[cxiii]</sup> Over-employment was a burden of the past, due to the massive employing of youth in the 1970’s. At that time the management boasted that “we will hire new employees because we have plenty of orders...what will happen when there will be no more orders- we will think about this when such times come.”<sup>[cxiiii]</sup> The management was not much concerned about long terms effects of employing huge amounts of workers. In the late 1970’s and early 1980’s the company faced a negative trend and began accumulating debt.<sup>[cxv]</sup>

If during socialist times the issue could be put aside following the changes of the political system the problems came into surface. The ratio between workers and administration was not helping efficient work either, as for example, in the end of the 1990’s out of the 2.000 workers, up to 700 were employed in the non-manufacturing section of the company.<sup>[cxvi]</sup> In addition, bad management decisions and surplus capacity also influenced the break down of the profitable business and led to the company’s insolvency.<sup>[cxvii]</sup> In the second half of the 1990’s, “Astibo” had run up 30 million euros’ debt to the state institutions and various private firms while the contributions for the social and health insurance had not been paid for a number of years.<sup>[cxviii]</sup>

Losing the Yugoslav markets in the early 1990’s the factory unsuccessfully attempted to enter the Western markets selling its own brand. According to Branko Georgiev, deputy manager (zamenik director) of TLM Canda and former director of “Astibo” although the company registered a brand of its own in Germany, “Astibo-De” it failed to find partners to buy their products. The lack of good contacts contributed to the fall of this initiative. As Mr.Georgiev put it “it is difficult to ‘conquer’ Western markets, we did not have the right person in Germany and failed, that it is how it works in the so-called open markets.”<sup>[cxix]</sup> The economic difficulties of “Astibo” led the government to initiate in April 1994 a transformation of the company by founding a Council for transformation, and preparing a program of action. The then general director Mr.Panche Nasev, together with his associates, unsuccessfully negotiated with the Government the possibilities for the current managing team of “Astibo” to buy the majority shares.<sup>[cxx]</sup>

The company continued to make losses from 1995 onwards. In 1997, the company's value was estimated at 14 million Deutschmarks, but the question how to privatize the company remained as the workers were against managerial buyout and organized strikes to assert their opinion. Only in May 2002 the government consulting the management of the company decided to initiate bankruptcy proceedings in "Astibo". The company was liquidated in a speedy procedure on 10<sup>th</sup> of July 2002 and a tender was called. At this time Astibo had 2.056 workers in the following units: (the apparel factories are bolded).

Astibo:	Number of employed <sup>[cxxx]</sup>	Number of Employed <sup>[cxxx]</sup>	Bought By	Number of Workers
<b>Solidarnost- men's section. Production of shirts and a special unit for production of pajamas.</b>	468	455	Escada	205
<b>Vado -sport section. Production of semi heavy and ready made textile such as men's and women's windbreakers, light jackets, man and woman's pants skirts, and pants.</b>	279	230	Lars	300
<b>Zhenski- women's section. Production of dresses, skirts, shorts, pants.</b>	410	360	LABOD-ELENA;  LINEA	145  180
<b>Egzotik- specialized women's section. Production of women's blouses and skirts, bathing suits, tricots.</b>	276	287	MONT TREJD;  V&E	125  155
<b>Jang (young)- children's section. Production of children's and teenagers' apparel.</b>	210	240		
<b>Galaksija- section for</b>	92	100		

<b>pressing, embroidering, with one line for production of light apparel.</b>				
Holding	236			
Astimpeks	13			
Tehnoteks (unit for spare parts and appliances)	28		Milano	105
Standard	27			
Astiprom (catering)	9			
Astitrans (forwarding)	5			
Astigros (trade retail and wholesail/trgovija na golemo i malo)	3			
Asti-tours (travel agency)	8			
Astibilans (book keeping/accounting)	4			
Total	2068	1672		1215

At the time of the sale, “Astibo” was estimated by the government to be worth 4,000,000 million Euros much less than the first assessment of value. Characteristically, in the 1990’s the value and the price of the Macedonian public companies offered for sale decreased as the time passed and the privatization was kept postponed. The loss making enterprises not only made losses but also their assets suffered depreciation, so also “Astibo”. The winner of the the tender was Mr. Kocho Mocan who was to buy the company for 2.125.000 Euros. He, however, failed to pay the money in the legal timeframe and the tender and the sale were cancelled. In the end of 2002, a new tender was opened. There were no contractual conditions of sale concerning re-employment of workers or future investment in the plant in either of the tenders. The only criterion for the selection of a purchaser was the price offered for the assets. In addition, the government covered the unpaid social contributions and paid severance pay to the laid off workers, depending on the amount years in service. The debts to the different parties were to be paid by the proceeds from the sale of the company.<sup>[cxxii]</sup> The company was bought by a consortium of nine companies which paid 1.704.000 Euros. Each member of the consortium paid a share according to the size of the objects bought, the sum ranging from 110 000 to 280 000 Euros.<sup>[cxxiii]</sup>

Companies that have bought the formerly socialist enterprise of “Astibo”:

“Astibo”
“Lars”
“Eskada”
“Linea”
“B&E”
“Elena” (Labod)
“Modena”
“Mont”
“Vabo”
“Milano”
“ViT”

Over 1.000 workers began to work in the new enterprises based in “Astibo”, about 650 of them former “Astibo” employers. The new owners have also renovated the factory, investing more than Euro 2 million. They compensated the local government the accumulated debts for water usage by leaving to them the local Astibo hotel, while the two shops in Shtip were given as a compensation for accumulated debts to the electricity provider and to the bread and pastry maker “Zhito-Leb.”<sup>[cxxiv]</sup>

### The Situation in the Apparel and Textiles Production in Shtip Today

What is the situation in the textiles and apparel sector in Shtip today? Let us start with the basic question, how many such producers exist nowadays? It was very difficult to ascertain how many textile and apparel enterprises are there in Shtip. In conversations, people from Shtip often claim that there are 70 to 80 “konfekcii” (apparel producers), 100 even, but this number showed to be highly exaggerated. In fact CRPM was able to identified only 58 apparel and textile producers in the town of Shtip. This number might not be absolutely correct as some firms, especially small ones, work outside of the system, while others might have gone bankrupt by now (Viteks) but this number can be considered quite reliable under current circumstances. See the full list of the textile and apparel producers from the town at the end of the paper Table A.<sup>[cxxv]</sup> Interestingly only 3 apparel producers have newly built facilities: Vivendi, Albatros and Vabo; while many use

buildings of former socially owned enterprises (SOE). Shtipko for instance is situated in facilities of former SOE Progres - factory for metal products, Mavis works in an old building of the tobacco company “Jugotutun”, Angroteks, Gracija, MK Vera Mond, Shtipteks, and MK Briteks are situated in depots of the former SOE “Nova Trgovija”, Beas-S is situated in “Metalna.” We mentioned the companies that work in the facilities of Astibo and Makedonka. Furthermore, Stilteks, Anateks, and Tomas stil are located in private houses, Nana in a shopping center (old SOE) while Longurov works in a depot of “Makpromet.” Thirteen companies are located in the premises of Astibo and Makedonka. The machines of the apparel producers are typically being serviced by former technicians from “Makedonka” and “Astibo” only a handful companies actually employing a person responsible for this activity. Most of the machines are usually bought from Turkey, and are YUKI type made in Japan.<sup>[cxxxvi]</sup>

#### Picture Apparel Production Line

In the mentioned 58 companies there are 5610 workers which imply that the percentage of persons employed in the apparel and textiles sectors within the Shtip economy is quite high (about 45% of the Shtip employed). If one considers that there are a number of persons from Shtip that work in industries that are related to the apparel and textile sectors such as transport and logistics, catering for the workers, etc. it is easy to see the significance of the sectors on the Shtip’s economy. Moreover, Shtip is the biggest center of apparel and textile production in Macedonia. It has more workers employed in these sectors than Skopje with 3851 workers, Tetovo with 3563, Gevgelija 2985, Bitola with 2541 and Strumica with 2316.<sup>[cxxxvii]</sup>

Apparel and textile production in Shtip companies is very much focused upon “outward processing production” as only one (EAM) has its own production marketed through own export channels, while 2 (Tomas Stil and Stilteks, small firms with 5 employees sewing pants) have own products for sale at the domestic markets. Additionally, a number of companies produce a small share of their products for domestic markets, or for own export: Gracija (with about 5% own production) Mond (10%) Beas-s 20%, Briteks 20% Milano/Modena 40%, Zen/Vivendi, 20% and Shtipko 30%.

A vast majority of Shtip apparel and textile producers manufacture “*light apparel (casual)*” such as shirts, blouses, t-shirts, etc. production, that demands very little fixed investments and therefore is vulnerable to market shifts and Asian competition with much cheaper labor costs. A smaller number of producers (11) such as: Anateks, Kit-Go, Starteks, Beas-s, Star-teks, Shtipko, Dona, Stilteks, Ziziteks, Makteks, and Galija manufacture only or predominantly jackets, coats and other more sophisticated semi-heavy and “*heavy apparel (tailored)*”. This production is less

exposed to market vulnerability due to higher transport costs, needs more skilled labor, and more capital investment. Zen-Vivendi and Mond, too produce heavy and semi-heavy apparel, but only in addition to light textiles which is still their dominant activity.

A number of Shtip based companies produce a small share of their products for domestic markets, or for own export: Gracija (with about 5% own production) Mond (10%) Beas-s 20%, Briteks 20% Milano/Modena 40%, Zen/Vivendi, 20% and Sthipko 30%. . This leaves the industry in Shtip lagging behind the world trend in designing and branding which is a new economic activity everywhere in the region from Serbia (Nikola's, MONA, St George etc.), through Bulgaria (few companies produce under own brand for domestic market only: Daphne, Odeta, Albena Style and etc.) to Turkey (Little big, Mavi jeans, Tac and etc.) and Romania (where the government through investments stimulated the industry to produce their own collections for the domestic market and for export such as Xandra and Anrolf). Shtip has few value added products and currently does mostly 'sewing and stitching'. Most of the companies are small and mid-size and the workers are skilled in simple cut and make techniques needed for the production of "light clothes".

## The Losers of the Transformation

The clear loser of the transformation of the Shtip textile and apparel sectors are the workers in these industries. While the owners and the managers of the apparel companies enjoy better live their fortunes have not been as bright as those in the new and quickly developing branches of these sectors, such as logistics and intermediaries. The winners of the transformation are those managers and sector leaders who have invested in the most valued added type of activities including marketing, logistics and transport.

Mihajlo Nikolovski<sup>[cxxxviii]</sup> worked as a tailor during socialist times, starting from 1973. He graduated from a two-year technical school for tailors and worked in "Astibo" from 1973 to 2002. He has had numerous awards in the communism: he was twice "Yearly Udarnik[employee of the year]", twice "Monthly Udarnik", also receiving the "1st May" Award from the trade union. During the 1980's he earned about 350 euros per month and bought an apartment of 58 square meters with a credit from the local bank. His wife worked as a tailor as well, employed since 1972 with a similar salary. With their earnings they could cover all of the life expenses and went frequently on holidays. The most visited destination for them was Dojran, and they never went outside the state.

They had both time and finances for partying, restaurants, etc. Mihajlo was satisfied from the public health system. His mother was assistant chef in a state restaurant and his father was a policeman. It was easy for them to get a credit from the banks. Mihajlo is very satisfied with the political system at that time and thinks that the inter-ethnic relations and the security situation were stable. He has had no “obstacles in the communist system” and believes that he could have easily planned for the future, due to the prosperous economic circumstances. He was satisfied with the relationship employer-employee in the communist system. The unions were very strong and it was difficult for the companies to make someone redundant.

Today, Mihajlo is a tailor in a private apparel producing company. His spouse works in another company from the same sector. His daughter was born in the early 1970's and is married today, while his son was born in the late 1970's. His daughter is a graduate from the Faculty for Economics in Skopje, and his son is a graduate from the secondary textile school in Shtip unemployed for eight years now. Mihajlo nowadays has a monthly salary of 10000 MKD while his wife has a monthly salary of 12000 MKD. The family has worse living standards in comparison to before and has problems with the covering of all the life expenses. In the supermarkets they shop basic products only, primarily food. They spend very little on cloth, and the main parameter for his buying decisions is the price not the country of production. Mihajlo. Dimitrov describes the family perspectives as uncertain and not very promising. Today, they rarely go on holidays, and when they do it is usually in Ohrid and never outside Macedonia. His daughter currently lives in Skopje in apartment with her husband, and his son lives with the parents in Shtip. He has had problems to meet all the educational expenses for his daughter due to the limited family finances. His working hours are from 07.00 in the morning to 15.00 in the afternoon. Although he still has his old friends, he does not meet with them as frequently as before. His son plans to migrate outside of Shtip and possibly outside of Macedonia in search for employment. The interviewee was dissatisfied with the political situation in Macedonia today. The same is true about his opinion for the security situation in the country; he argues that he does not feel as safe as before. He believes that the inter-ethnic relations in the country are very unstable and unpredictable. Furthermore, he feels general discontent towards all of the state institutions and the judicial systems.

While Mihajlo, a tailor has a difficult life Andon Mihajlovski<sup>[cxix]</sup> a manager of apparel producing company lives not much better. He has graduated in 1991 from the secondary-economic school in Shtip, but he has no university education. His father was a manager in communist times, with a nice salary. They could have easily received a loan for a house, and his monthly salary was around 500 euros. Andon's mother was a clerk in a bank, and had with an average monthly salary of 400 euros. The family used to go on vacations pretty often, the most notable locations visited being Ohrid, Greece and the Adriatic Sea. All the family members had state health insurance. The family had a car, Lada at first, and Zastava 101 later on. Today they have apparel and a transporting company. Andon has a spouse and two children his wife being the director of the transportation firm. They have annual profit of about 10 thousand euros and Andon complains that the expenses of

the business have been perpetually increasing in the last few years. Nevertheless, he satisfied with the profit, which leaves the lack of free time their only inconvenience at the moment. . His family lives in the house he inherited from his father since they are not yet in a position to build a new one. The family does not go on holidays frequently; they prefer the weekend trips instead. Most of the times Andon's family goes for holidays to Ohrid, and rarely in Greece. With his earnings, he is able to meet all of the expenses for the children, primarily education, food and clothing. Currently he drives Fiat Punto from 2000 and that's the only car the family possesses.

Marko and Jovanka Tomovski are a couple in their late 60's. Jovanka is a former worker of "Astibo" while her husband used to work in the public administration. Both agreed that before the transformation the salaries were quite good.<sup>[cxxx]</sup> They have built their house just saving money from their wages. One salary they used for living while the other they used to pay for the construction of their home. Every summer they went on holidays, once they were in Romania they felt like Americans, rich and powerful. Ohrid lake, Bulgarian Black Sea Cost, or the near by Dojran were regular on their summer list of locations to spend their break. In the late 1970's they also bought a car, the classical Volkswagen. Everything was much better organized in socialist times according to the Tomovski couple, "Astibo" had a kindergarten for our daughter, we ate at the restaurant, and those who had no living dwelling were given credits, and so on. Their nostalgia for the good old times is confirmed by the difficult live they have today, with expensive prices and low pensions.

Even worse is the story of the former "Makedonka" worker Milancho Manev, who donated blood 130 times helping others in difficult times. However, this summer he could not find a single soul ready to help him pay his debt to the water supply public enterprise.<sup>[cxxx]</sup> To pay back the debt Milancho had to do public work on the behalf of this enterprise. He complains that these are the times when there is no job available. Similar situation happened to Slobodan Mishikj, long time employee of the Shtip printing house "Ilinden." Slobodan had to work in the public swimming pool all summer for a daily fee of 60 to 80 denars (1 to 1.3 Euros) and for the Electric Supply Company in order to pay his debts for the electricity bill. In Shtip, about hundred citizens worked this summer in public enterprises to pay back their bills. The faith of the former goalkeeper of "FC Bregalnica" Stojan Stojanov, 51, is also disturbing.<sup>[cxxxii]</sup> Born in a village in a near to Shtip region Stojan's parents left the rice field in Kochani and came to work in "Makedonka." Stojan and his wife also worked in this company, although he is more known as a football player. Both of them got laid off in 1999, she after 33 years of experience, and he with 28. They have three daughters, one of them a student in Bulgaria. Stojan's spouse got a job in a private apparel producer. Her salary is what they live on. According to him, most of the laid of "Makedonka" workers have a difficult life nowadays. A number of workers from the liquidated SOE's in Shtip have organized themselves in an informal association pressuring the government to help them find jobs. Stojan comments that life is very difficult, "the state officials do not care if you have or not have money, they take home



appliances instead, if we do not make now we shall undertake radical measures, because our is not a life worth living.”<sup>[cxxxiii]</sup>

## The Big Winners of the Transformation

### Logistics and Transport

To export their final product to foreign markets apparel producers need a clearance from the custom authorities. In order to get a custom clearance one needs a bank guarantee of 5,000,000 MKD (about 83,000 euros) certifying financial liability. This is a job of shpedicja (a custom clearance house- sluzhba za carinsko deklariranje) and there are 27 of them in Shtip with 300 employed persons. Only three apparel producers have own shpedicii, Albatros, Mavis, and Asteks, the rest paying other shpedicii for the service. The biggest 10 shpedicii in Shtip are: Birkart, Canda, Fershped, Makoshped, Kamilshped, Montanashped, Bakshped, Visashped, Inteksshped and Asteksshped. Besides these there are about 20 smaller shpedicii. In this segment of the market in Shtip Birkard has a dominant position. Birkard, works with 80 apparel companies in total, 30 suppliers from Shtip, and 50 retailers based in West Europe. The biggest apparel companies from Stip that Birkart cooperates with are Beas, Briteks, Elena (Labod), Eskada, Mont trejd, Vivendi and V&E. Besides providing custom clearances the main activities of Birkart are the transport of finished products, work with CAD and CAM systems, and final logistic and products preparing for the final clients. Working on the transport of finished goods Birkard manages 60 vehicles, that belong to other Macedonian transport companies (from Stip, mainly). For the transporting activities Birkart charges 5 % provision.

Many Shtip apparel producers use the logistic services of Birkart for the transport of their final products to Western markets. Birkart combines orders from several apparel producers and transports their goods. One truck can take between 17-20,000 light apparel or 10,000 light apparel and 5,000 heavy apparel items. Having no large depots to keep larger quantities of their products, Shtip apparel producers typically make small series of about 5,000 items for export which are immediately forwarded to retailers in Europe. On the way back to Macedonia Birkart transports various kinds of commercial products not necessarily related to the textiles and apparel industry. Each week about 30 trucks transport goods to Western Europe. This equals a minimum of 500,000 pieces, so that Birkart alone is moving 25 million pieces? If we take an average of 1,500 pieces per

worker (see remark up), then about 16,-17,000 workers would be needed to produce this. The company also owns a customs depot (carinski sklad) of 1000 m<sup>2</sup>, where it does custom clearance for the apparel producers. In any case this company is very important trend setter because besides Birkart, there is only one other logistics center in Shtip, the Canda International Germany branch office Textile Logistic Makedonija (TLM). It is worth mentioning that at the moment these are the only logistic centers in all Macedonia.

Birkard, dominates the logistics in the Macedonian clothing sector. It works with 80 apparel companies in total, 30 suppliers from Shtip, and 50 retailers based in West Europe. Besides providing custom clearances the main activities of Birkart are the transport of finished products, work with CAD and CAM systems, and final logistic and products preparing for the final clients. Working on the transport of finished goods Birkart manages 60 vehicles, that belong to other Macedonian transport companies (from Stip, mainly). The company also owns a customs depot (carinski sklad) with around 3,000 sq. meters, to handle up to 300,000 pieces, where it does custom clearance for the apparel producers. They provide services like labeling of clothes, packaging, sorting and they prepare all paper work for the final transport and export to European markets.

A close company to Birkart is “New Trend Center for Textile Technology” founded in the beginning of the year as a joint venture between “Zmaj Promet”, and E-biz. “New Trend” is a completely modernized European looking company. The offices are fully equipped with modern computers, and software to automatically adjust designs to different sizes. Trajan Angelov is the manager of Birkart and co-owner of Zmaj Promet. It is not difficult to confuse the three companies since the manager of “New Trend” is Suzanka Angelova the wife of Mr. Angelov. At meetings and in interviews Mr. Angelov often speaks in the name of “New Trend” adding to the confusion.<sup>[1]</sup> Since the three companies, “Birkart”, “New Trade”, and “Zmaj Promet”, are located in the same premises they could be seen as one larger enterprise.

Before investing into textile/garment sector “E-biz” has conducted thorough analysis of the market realizing that there is an urgent need for investments in modern ICT technologies. In the summer of 2004 “E-biz” called a tender for establishing the “New Trend” and from the four participants “Zmaj Promet’s” offer seemed most attractive and economically viable. The business plan for establishing the “New Trend” was approved at the beginning of November of 2004. The investment in “New Trend” was 400.000 USD, with “Zmaj Promet” investing 53% and “E-biz” 47%.<sup>[2]</sup> According to the business plan the “New Trend” should become financially self sustainable in three years, after which a re-definition of the ownership relations will occur. “E-biz” does not intend to set up another center such as “New Trend” stating that this single company is currently sufficient to cover the Macedonian market and establishing another one would mean duplication and unnecessary dispersing of existing potential and knowledge.

New Trend provides CAD and CAM services to interested Macedonian apparel producers. They began with promotion of the CAM in May 2005, and the Shtip apparel producers are

increasingly becoming to use the service. The CAD system is being used in two shifts while the CAM in one shift. Currently the CAM is used in 70% of its capacity hoping to reach 100% until the end of the year. "New Trend" has currently 50 customers, 26 of them from Stip. The number of "New Trend's" customers is increasing every month. The machines are both located on the ground floor of the main building. Companies in Germany only have to send the design per email, and the raw materials, and "New Trend" then prepares the clothing pieces for the companies using sophisticated software. "New Trend" provides quality control of the materials and Trend" supplies clothing companies, like Milano for example, with the accessory materials intended for CAD and CAM services importing them from Italy. They closely cooperate with the intermediary company Global from Skopje. For New Trend/Birkart it would be great if there are more companies moving to full-packaging, using their global networks. The company's future priorities are to attract more clients because there is lack of confidence in this kind of business and to become the major raw material suppliers.

Textile Logistics Macedonia-Canda was actually the first logistic center in Macedonia. It was founded by Textile Logistic Bulgaria (TLB) in March 2003, and today it works with about twenty apparel producers from Macedonia from Kochani, Kavadarci, Bitola, and Skopje, and five from Shtip, Lars, Mavis, Metro-Premier, Beas, and Labod MK (Elena).. A dozen other companies have signaled already their additional interest in cooperation.<sup>[3]</sup> TLM works for CANDA which is subcontracted by the multinational chain C&A. In its operations TLM is de facto autonomous in relation to the TLB. Still, while more than 90% of technical and logistic operations of TLM is coordinated directly through Germany (Canda). Alike Birkart, TLM also works with CAD and CAM systems, and final logistic and product preparing for the final clients. For transportation, TLM uses mainly the services of the German company Meyer & Meyer and their associates (Grdovjanka). TLM is a significant customer of Birkart's depot.

TLM rents a store belonging to Angroteks which used to be a furniture department store. In 2003, TLM subcontracted companies produced for CANDA Germany 1 300 000 pieces of clothing, 2 400 000 pieces in 2004, with the expected growth in produced items of 10-20 % for 2005. (including products from 3 new companies producing heavy clothing). For transportation, TLM uses mainly the services of Meyer & Meyer (Grdovjanka) and their associates. The average annual number of trucks driving TLM goods is around 300, while in high season there are 30 trucks monthly. The average number of clothing units per truck is 8.000. In the interview Mr Georgiev explained that Birkart is somehow copying the TLM logistic model. He does not consider Birkart to be a dangerous competitor and he thinks they can complete each other. Mr. Georgiev said that TLM is practically the only significant customer of Birkart's depot and almost 90% of goods stored there belong to TLM. He is satisfied with TLM's position on the Macedonian market, with the relations with Canda and indirectly C&A being the biggest asset and advantage over Macedonian rivals.

Finally we should also mention the transport sector. There about 300 people employed in the transport (forwarding) sector in Shtip. The two largest companies in the market Gradovjanka and Zmaj Promet are related to the logistic centers Birkart and TLM. The prices are dominated by the offers of Birkart, and TLM. “Zmaj promet” works since 1993, and does international transport of goods with 37 workers, and 13 trucks. About 90 % of the time they drive apparel from all over Macedonia to Germany, Benelux, Greece and their business is going on well.<sup>[cxxxiv]</sup> The transport company “Gradovjanka” was founded in 1989/90 and in 1996 become a branch-office of the German Transport Company Mayer & Mayer for the Macedonian region concentrating on forwarding apparel. “Gradovjanka” is not the only company that provides transport services for the Mayer & Mayer as currently there are also 4 other companies doing this. At the moment, they have 16 trucks and cooperate with the following apparel producers from Shtip: Lars, Vabo, Eskada, Shtipteks, Canda. The total number of employees is 24, together with drivers and they have eight trucks. Mostly, they are transporting in Germany, Belgian and Holland. Their business premises are in the former enterprise Staklara 29 Noemvri from Skopje which they bought 5 years ago. Currently, the company has storage area of 7 000 m<sup>2</sup> of non-covered land which it plans to enlarge. It is important to know, that there is no real maintenance or service for trucks in Macedonia. In the republic it is only possible to do repairs, but spare parts are not accessible at all. For major repairs Macedonian companies send their trucks into the EU - to Greece.

According to Liljana Puncheva- Chief of Customs in Shtip (Shef na carinska ispostava) besides Birkard (13 trucks) and Mayer & Mayer (8 trucks) the other most active transport companies are: Metro Premier with 7 trucks; Divna with 3 trucks; and DM Preciz with 3 trucks. She mentioned that the average number of trucks that export goods each month through the Shtip Customs is 1250, the busiest days being Friday and Saturday.<sup>[cxxxv]</sup> On average five apparel producers use one truck to export goods. Many exporters from Skopje also use terminal in Shtip, and many have their offices there, including the intermediary company Global from Skopje. There are 18 forwarding companies in the Custom direction building<sup>[cxxxvi]</sup> while, 3 are located elsewhere.<sup>[cxxxvii]</sup>

## **The Role of the Intermediaries**

The sale intermediaries or agents had a very important role in the textile and clothing industry in the SFR Yugoslav period. At that time in Macedonia there were two intermediary companies: Inteks and Makoteks. Dealing with export of finished products and import of raw materials and fabrics, Inteks was a trade representative of a large conglomerate of 25 factories/producers from Macedonia. “Makedonka” and “Astibo” were members of Inteks.<sup>[cxxxviii]</sup> In fact, the government of socialist Macedonia urged the smaller apparel producers to join “Inteks.”<sup>[cxxxix]</sup> Inteks organized representations of the Macedonian textile and clothing producers at

international fairs and provided its members information about new machines and technologies. Within Inteks there was a part which follows fashionable trends, machines and went regularly to fashion fairs in Moscow, Leipzig, Düsseldorf, Belgrade, Zagreb and Ljubljana where they had a stand together with other producers from SFRY. In the 1980's "Inteks" had 58% of the total turnover and 47% of the profits of the textile and apparel producers in the republic, and made exports worth 22.8 million USD in the Western markets and 30.7 in the socialist block.<sup>[cxi]</sup> In 1986, it had 28,000 employees with export for the first half of 1986 worth 13.8 million USD in 1986, 64% of which sold in the Western markets.<sup>[cxli]</sup> In the same year "Inteks" had problems getting payments from companies from the socialist block of countries, especially from those from the Soviet Union, and the German Democratic Republic.<sup>[cxlii]</sup> In 1987 there were about 29,000 employed in the Inteks consortium with 90 % export production.<sup>[cxliii]</sup> They used to import 15000 tons of cotton not only for the 27 producers from Macedonia but for all SFR Yugoslavia. In the beginning there were 150 employed in Inteks, then 70, today 15. The company has lost its intermediary position and the owner Zoran Azmanov lives of renting the real estate of the company.

Former managers of Inteks have however, continued doing the business of intermediation between Western buyers and Macedonian manufacturers. The two directors and partners of Texico, a leading sales intermediary, Mr. Grukevski and Mr. Vaskov, are an example. Texico exists since November 2002 and employs six persons. It works with 10 foreign partners mainly from Germany, but also from Italy and Belgium. Texico is intermediary in the annual sale of one million pieces of apparel. Their way of business is to negotiate deals with the foreign buyers, together with the local producers. Texico's profit margin is five percent. The annual turnover of Texico is around two million Euros. While Lavishbelt, INT, Polaris and Etra have about the same annual turnover as Texico the biggest company in this business nowadays is Global, with an annual turnover of about EUR 12 million. Global's 80% of its customers are from the EU, particularly from Germany, Netherlands, Italy and England, and 20% are from the USA. They are gradually abandoning the US market and focus more on European Markets due to the possibilities for achieving lower transport costs and greater flexibility in production. Global has partner cooperation with the well established German clothing company Steilmann Group. The owner, Mr. Vladimir Ichokaev has built a logistical centre in Skopje with a customs depot, and CAD and CAM machines and plans to invest in a laboratory for washing clothes. Apart from Global's own clothing facility with about 60 workers, 60 other companies throughput Macedonia manufacture for Mr. Ichokaev.

NO.	COMPANY & DIRECTOR	PRODUCT	KIND OF PRODUCTS	PIECES PER YEAR	EMPLOYEES
1	ALBATROS Vesna Miladinova	99 % lohn	Light; Shirts, blouses, boxer shorts	600.000	235
2	AMARETA Pavle Panev		Light; Women' shirts Semi heavy; jackets		80
3	ANATEKS	100% lohn	80% spring, autumn winter, technical/ industrial textiles (HTZ equipment)		15
4	ANGROTEKS Vida Nikolova		Trikotaza		65
5	ASTEKS				190
6	BEAS-S Beti Saneva	Light textile for Women; heavy textile for men; 80% lohn 20% own production	Heavy and half-heavy ready-made clothing women's suits, jackets, skirts, winter coats and trousers and men's suits, winter coats and jackets.	360.000	185
7	BUMATEKS				5
8	DA	100 % lohn	Light, Shirts		200
9	DIVAS				15
10	DO-NA	100% lohn	Heavy; suits, costumes, pants for men		20
11	EAM KONFEKCIJA	100% own production	Light' women's and men's t-shirts, blouses, sweatshirts		45

12	<b>ELENA MK</b>	100%	Light; ladies clothing (pants and skirts)	20.000	
	Danijela Josifova	lohn			
13	<b>ESKADA</b>	100%	Light; Blouses shirts, skirts, for women	240.000	205
	Igor Antolovic	lohn			
14	<b>FINA-MK</b>	100%	Light;	100.000	40
	Petar Petrov	lohn	Women's shirts		
15	<b>GALIJA</b>	100%	Heavy and half-heavy; jeans, pants, shirts	50.000	40
	Ilija Angelovski	lohn			
16	<b>GRACIJA</b>	95 %	Light;	500.000	240
	Stojan Kocev	lohn	women's clothing		
17	<b>ILINDEN TEKSTIL</b>	99 %	Predivo		100
		lohn			
18	<b>KARMABELA</b>	100%	Light;		10
		lohn			
19	<b>KIT-GO</b>	100%	Semi-heavy; pants, women blejzers		70
		lohn			
20	<b>KONTI</b>				45
21	<b>LABOD MAK</b>				160
22	<b>LINA</b>	100 % lohn	Light;	12.000	40
	Angelina Gicinovic		bluzi, suknji		
23	<b>LONGUROV</b>		Light;		190
24	<b>LARS</b>	99 %	Light	850.000	300
	Darko Naskov	lohn	women's blouses		
25	<b>MAK FALKON</b>	100%	Light;		75
		lohn			
26	<b>MAKSIMA</b>		Light; Men's shirts, women's blouses	40.000	185
	Liljana Lazarova				
27	<b>MAKTEKS</b>	100%	Semi heavy		30

		lohn			
28	<b>MAVIS</b>	100%	Light; Women's blouses	700.000	350
	Angel Doncevski	lohn			
29	<b>MB-JTD</b>				20
30	<b>METRO PREMIER</b>	99%	Light; Men's Shirts		115
	Beti Mileva	lohn			
31	<b>MIKOTEKS</b>		Light; women blouses, and shirts		175
	Lubinka Ivanova				
32	<b>MILANO/MODENA</b>	60 % lohn,	Light; Women's shirts, blouses	150.000	105
	Vlado Netkov; Vesna Netkova	40 % own products			
33	<b>MK ANGELO</b>		Light; Women's blouses, men's shirts	80.000	40
	Saso Angelovski				
34	<b>MK BRITEKS</b>	80%	Light manufacturing; ladies' winter, and summer ready-to-wear lines	330.000	145
	Riste Brasnarov	lohn			
35	<b>MK LINEA</b>	70 %	Light; Shirts, Blouses for Women	300.000	180
	Stamen Trajanov	lohn			
36	<b>MK SHTIPKO</b>	70%	2 lines light textiles (men's shirts) 4 lines semi-heavy and heavy textiles (coats, jackets)		160
	Blagoj Kamcev	lohn			
37	<b>MK STILTEKS</b>	Domestic market	Heavy; Men's pants		10
	Snezana Stojanova		Light for lohn, (women's blouses, men's shirts)		
38	<b>MK VIVENDI-ZEN</b>	80 %	heavy for domestic market suits, women's costumes		55
	Dragica Naseva	lohn			
39	<b>MOND</b>	90%	Light and Half-heavy (pants and blouses)	300.000	125
	Katerina Krsteva	lohn			
40	<b>NANA</b>	100%	Light; women's		10



		lohn	confection		
41	<b>PRIMAVERA</b>				105
	<b>SMART</b>	100%			
42	Georgi Stojanov	lohn	Light; women' shirts and blouses	70.000	20
	<b>SOFITEKS</b>	100%			
43	Cvetanka Gjurkova	lohn	Light: women's blouses and pant	150.000	50
		100%	Semi-heavy;		
44	<b>STARTEKS</b>				35
		lohn	Pants, jackets, youth		
		100%			
45	<b>START-TEKS</b>		Semi-heavy, pants, jackets, youth collection		
		lohn			
	<b>STIPTEKS</b>	100%			
46	Dusko Zendelov	lohn	Light; women's blouses, shirts		200
47	<b>SUGAREV</b>				10
	<b>TEATEKS</b>				
48	Pero Krstev		Light; women's blouses	120.000	60
	<b>TEKSTIL INVEST</b>				
	<b>DENIM</b>	100%			
49	Simo Vasilev	lohn	Cloth (tekstilni tkaenini)	150.000	130
	<b>TEKSTIL INVEST</b>				
	<b>KONFEKCIJA</b>	100 %	Light;		80
50	Simo Vasilev	lohn	blouses		
			Light;		
51	<b>TOMAS STIL</b>	Domestic market	men's blouses		5
	<b>V&amp;E</b>	100%			
52	Lupco Todorovski	lohn	Light; ladies clothing summer ready to wear lines	25.000	155
53	<b>V.I.T.</b>				10
	<b>VABO</b>		Light,		
54	Vane Bogdov	100 % lohn	blouses for women	300.000	130

	<b>VERA MOND</b>		Light;	
55	Jasmina Chaneva	100 % lohn	Pants and shirts for women	110
	<b>VIP</b>		Processing of cloth (krajna obrabotka na platno)	
56	Vencislav Filipov		750.000	20
	<b>VITEKS</b>	100%	Light; women's skirts, shorts and pants	
57	Ile Petrov	lohn	100.000	45
	<b>VIZA SPED</b>	100%	Light;	
58	Andonovski Verica	lohn	women's	55
		100%	Light; Shirts and technical/industrial	
59	<b>ZIZITEKS</b>	lohn	textiles (HTZ equipment)	10
	<b>ZOGORI</b>	100%	Light;	
60	Ramiza Ristova	lohn	150.000	105
			women's pants, shirts	

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[1] CRPM interviews with Mr. Angelov, and CRPM meeting with the leadership of E-Biz, “New Trend”, “Birkart”, 8<sup>th</sup> November 2005.

[2] “Zmaj Promet” provided the land, the building, the staff and the basic infrastructure while “E-biz” has invested into sophisticated equipment.

[3] CRPM Interview with Branko Georgiev, deputy manager of TLM 16.06.2005.

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<sup>[i]</sup> In fact before the Balkan Wars Bitola with 48,370 citizens was slightly bigger than Skopje with 47,384. See *Popis Stanovništva u Kraljevini Srba Hrvata i Slovenaca*, Direkcija Drzhavne Statistike: Sarajevo, 1924.

<sup>[ii]</sup> This type of fabric is flat knitted with fine ribs on the face (lengthwise) and ribs on the back (crosswise). It is often used as lining material.

<sup>[iii]</sup> See the calculations on *What is the Relative Value of the US Dollar?* The calculations of 1 US dollar in 1940 worth 10.84 today are found at <http://www.eh.net/hmit/compare/>. What cost \$1 in 1940 would cost \$13.31 in 2005 according to the *Inflation Calculator* <http://www.westegg.com/inflation/infl.cgi>.

<sup>[iv]</sup> See Aleksandar Grlichkov et al, *Deset Godina Izgradnje Socijalizma u Makedoniji*, 1955, p.27.

<sup>[v]</sup> Ibid

<sup>[vi]</sup> Ibid

<sup>[vii]</sup> Ibid

<sup>[viii]</sup> See Chapter 15, *Industrial Policy*, Answers of the Republic of Macedonia to the Questionnaire of the European Union, p.322.

<sup>[ix]</sup> Source : *Kratkorochni Statistichki Podatoci za Stopanskite Dvizhenja vo RM, Skopje 1.3.4.12* ISSN 1409-9705 Drzhaven Zavod za Statistika 2004

<sup>[x]</sup> Version February 2004, by the Fair-wear Foundation.

<sup>[xi]</sup> SOURCE: Ministry of Economy; <http://www.economy.gov.mk/default-en.asp?ItemID=E3971CAFCB03ED449B6AE5003A7DD1B9>; Source: *Textiles Enterprises Investment Opportunities in the Republic of Macedonia*, Macedonian Privatization Agency, 2003, <http://www.mpa.org.mk/profiles/Textiles.pdf>. The Chamber of Commerce of Macedonia estimates that Textile industry participates with 14 % in the structures of added value of the industry and mining of the

country, while its share in the total production is 8.8%. Source: Stopanska Komora na Makedonija [www.mchamber.org.mk/tekstil.htm](http://www.mchamber.org.mk/tekstil.htm).

[xii] However, could be overestimated as a result of volatile Yugoslav dinars/USD exchange rate at that time.

[xiii] See Appendix Data from Observatory of Ministry of Economy for 2004, NACE 17 and 18.

[xiv] See Chapter 15, Industrial Policy, Answers of the Republic of Macedonia to the Questionnaire of the European Union, p.335

[xv] Ibid, p.323.

[xvi] Ibid, p.20.

[xvii] The combined average salary in both textile and apparel sector is used

[xviii] However, as in the case of the value of production in 1984 it could be a result of volatile Yugoslav dinars/USD exchange rate at that time.

[xix] At that time the Yugoslav citizens enjoyed the highest average salaries

[xx] See Chapter II, Economic Criteria, Answers of the Republic of Macedonia to the Questionnaire of the European Union, p.121.

[xxi] Statistical Yearbooks of RM for 1993,1994,1995,1996,1997,1998,1999,2000,2001,2002,2003,2004

[xxii] See *Stopanstvoto na NR Makedonija*, Skopje, 1962, p.42.

[xxiii] See “Tekstilnata Industrija vo NR Makedonija [The Textile Industry in NR Macedonia]”, *Stopanski Vesnik*, 22<sup>nd</sup> August, 1956, “Tekstilnata Industrija na Makedonija [The Textile Industry in Macedonia]”, *Stopanski Vesnik*, 10<sup>th</sup> August, 1955.

[xxiv] See *Osnove Tehnoloskog Procesa Idejnog Projekta Pamuchne Predionice i Konchare u Shtipu [The basics of the Technological Process of the Envisioned Project of Founding a Spinning Mill and a Weaving Plant in Shtip]* by Pavel Domicilj, 22<sup>nd</sup> of July 1950. On the field where construction was made see “Dostoen Jubilej [a Jubilee to Celebrate] *Stopanski Vesnik*, 25<sup>th</sup> May, 1977.

[xxv] Mihailo Nedkov ed, *Makedonka 1952-1962* Sluzhba za Informacii pri Rabotnata Zaednica na Proizvoditelite na Tekstil “Makedonka”- Shtip: Shtip, 1963.

[xxvi] See Jovan Trifunovski “Shtip -Glavno Sredishte Istochne Makedonije”, in *Geografski Horizont* 1-2, 1964, p.38.

[xxvii] In ed. Gjorgji Zigov, *Astibo Shtip* ”Stopanski organizacii vo opshtina Shtip”, 1964: Shtip, p.137.

[xxviii] See “Makedonka-Shtip: Megju Najgolemite Kombinati vo zemjava [Among the biggest factories in the country], *Stopanski Vesnik*, 1<sup>st</sup> January 1977.

[xxix] See “Dostoen Jubilej [a Jubilee to Celebrate] *Stopanski Vesnik*, 25<sup>th</sup> May, 1977

[xxx] Ibid.

[xxxi] See Atanas Nikolovski “Kulturni Dejnosti i Institucii na Shtip [Cultural Activities and Institutions in Shtip]” in ed. Gjorgji Zigov, *Astibo Shtip* ”Stopanski organizacii vo opština Shtip”, 1964: Shtip, pp.179-180.

[xxxii] According to the *Nacionalna Klasifikacija na Rabotnosposobno Naselenie Spored Stepen na Obrazovania* [National Classification of the Active Labor Force According to the Level of Education] highly qualified/skilled workers have a high school diploma and certificates for specific training, qualified/skilled workers have a diploma from a vocational high school, the semi-qualified/skilled workers have a primary school diploma and a certificate for specific training, and workers with no skills/qualifications have not finished primary school. At the time when Makedonka was founded the qualified workers were those who had two years of education in the vocational secondary schools.

[xxxiii] In Vera Brazhanska ed., *Makedonija od Raspakjata kon Idninata* Trudbenik: Skopje, 1970, p.363.

[xxxiv] See Mihailo Nedkov ed, *Makedonka 1952-1962*.

[xxxv] *Stopanski Vesnik* N.1524, 21 July 1982.

[xxxvi] Cotton has been extensively grown in the Tikvesh, Veles, Ovchepole, Strumica, Radovish, Valandovo, Gevgelija, Skopje, Kumanovo and other regions.

[xxxvii] Blagoja Cvetkovski “Istoriski i Stopanski Razvitok na Shtip od Sozdavanjeto do 1919 Godina [Historical and Economic Development of Shtip Since the Beginning until 1919]”, in ed. Gjorgji Zigov, *Astibo Shtip* ”Stopanski organizacii vo opština Shtip”, 1964: Shtip, p.37.

[xxxviii] In 1954 Gevgelija produced 1124 tons, Strumica 1886, Tikvesh/Kavadarci 411, Ovchepolski/Shtip 361 and Veles 305 tons. Cotton was also produced in the regions of: Bitola, Kochani, Kumanovo, Prilep, and Skopje

[xxxix] The trend of growing cotton was increasing from 1960-1973. In 1973 most cotton produced 32000 hectares in Veles, Shtip, Sv. Nikole, Negotino, Demir Kapija. In Shtip there was cotton growing in Dolni Balvan, 3 Cheshmi

[xl] See Kocho Urdin “Impresiven Razvitok na Pamuchnata Industrija Makedonka” in *20 Godini Makedonka*, Zaednica za Izdavachka Dejnost Pri NIP ‘Nova Makedonija’: Skopje, 1972.

[xli] See “Celosno Svrteni Kon Potrebite na Pazarot” in *ibid*.

[xlii] See Mihailo Nedkov ed, *Makedonka 1952-1962*.

[xliii] *Stopanski Vesnik* N.1526-7, July 1982, p.20.

[xliv] Stopanski Vesnik N.1592, August 1984, pp.36-37.

[xlv] Inteks was a “Združeno pretprijatie na tekstilnite organizacii od SR Makedonija”, see Ibid.

[xlvi] See “1960 Godina Produktivnosta Zgolemena 23.1 % [productivity increased in 1960 by 23.1%] in *Stopanski Vesnik*, 15 March, 1961.

[xlvii] Vancho Ristov, ed. *Shtip-Astibo*, 1979, Sобрание на Opshtina Shtip: Shtip.

[xlviii] See Mihailo Nedkov ed, *Makedonka 1952-1962*.

[xlix] See Mihailo Nedkov ed, *Makedonka 1952-1962*.

[l] See Trifunovski, Zigov.

[li] See Kocho Urdin.

[lii] See “‘Makedonka’ Startuva Likvidna [‘Makedonka’ is Solvent]”, *Stopanski Vesnik* 17<sup>th</sup> January 1973, “Dostoен Jubilej [a Jubilee to Celebrate] *Stopanski Vesnik*, 25<sup>th</sup> May, 1977.

[liii] See Vancho Ristov.

[liv] Interview with Andon Mahojshev, former “sekretar na opshtestveno politichka organizacija” [political commissar] within *Makedonka*, and a trade union leader in the factory, 13<sup>th</sup> May, 2005.

[lv] CRPM Interview with Branko Georgiev former ‘Astibo’ director, 16.06.2005. According to him the cloth made in “Makedonka” was used by Astibo until the end of the 1970-iest. At that time Astibo began buying cloth from the other Macedonian cloth producers like Teteks, and from abroad.

[lvi] CD *Astibo*, ISBN 9989-825-97-8, created by EIN-SOF, 2002.

[lvii] See the *Samoupravna Spogodba za Združhvanje na Osnovnite Organizacii na Združhen Trud vo Rabotna Organizacija Modna Konfekcija “Astibo” Shtip*, 8<sup>th</sup> December, 1978.

[lviii] See “Rezultati Dostojni na Renometo [Results Same as the Reputation Held]” *Stopanski Vesnik* , 18<sup>th</sup> January 1978.

[lix] See “Kako Da se Izleze od Magjepsaniot Krug [how to break the Vicious Circle]”, *Stopanski Vesnik*, 18<sup>th</sup> September, 1990.

[lx] See “Edna Decenija na ‘Astibo’-Shtip [One decade of existence of “Astibo”], *Stopanski Vesnik* 8<sup>th</sup> November 1972.

[lxi] See “‘Astibo’ Kolektiv na Mladi [‘Astibo’ Enterprise of the Young People]”, *Stopanski Vesnik*, 17<sup>th</sup> January, 1973.

[lxiii] See “The World Cotton Market Situation” by Carlos A. Valderrama Becerra, *Fiber Buyers Annual Meeting of the American Textile Manufacturers Institute*, Hilton Head Island, South Carolina, June 7, 1996.

[lxiiii] See “Nezapirliv Podem [Unstoppable Growth]”, *Stopanski Vesnik*, 2<sup>nd</sup> August, 1978.

[lxv] *Stopanski Vesnik* N.1592, August 1984, pp.36-37.

[lxvi] *Stopanski Vesnik* 15<sup>th</sup> July 1985.

[lxvii] *Stopanski Vesnik* 15<sup>th</sup> October, 1985.

[lxviii] See “Kolektiv Shto ne Staree [An Organisation that does not Age]”, *Stopanski Vesnik*, 22 October 1975.

[lxix] See CD *Astibo*, ISBN 9989-825-97-8, created by EIN-SOF, 2002 section on Mihailo Nedkov.

[lxx] See “Modna Konfekcija Astibo” in *Tekstilstvo* N.1-2., January 1993, p.8.

[lxxi] On this unit see Todor Hristov “Zdravni Sluzhbi vo Shtip [Health Care in Shtip]” in ed. Gjorgji Zigov, *Astibo Shtip* ”Stopanski organizacii vo opshatina Shtip”, 1964: Shtip, p.197.

[lxxii] See “Rezultati Dostojni na Renometo [Results Same as the Reputation Held]” *Stopanski Vesnik* , 18<sup>th</sup> January 1978.

[lxxiii] On the award see “Dostoen Jubilej [a Jubilee to Celebrate] *Stopanski Vesnik*, 25<sup>th</sup> May, 1977.

[lxxiiii] On the cotton production in Shtip by the Zemjodelska zadruga “Prvi maj”-Dolni Balvan see in ed. Gjorgji Zigov, *Astibo Shtip* ”Stopanski organizacii vo opshatina Shtip”, 1964: Shtip, p.121.

[lxxv] Interviews with Andon Mahojshev, and a trade union leader in the factory, Sashko Rashev, former manager of *Astibo* February 18<sup>th</sup> 2005.

[lxxvi] CRPM Interview with Milan Georgiev and Dragica Spasova employed as senior researcher and assistant researcher respectively in Institute for Agriculture in Strumica (Institut za juzni zemjodelski kulturi) 20<sup>th</sup> June 2005.

[lxxvii] See “The World Cotton Market Situation” by Carlos A. Valderrama Becerra, *Fiber Buyers Annual Meeting of the American Textile Manufacturers Institute*, Hilton Head Island, South Carolina, June 7, 1996 and *Agricultural Commodities: Profiles and Relevant WTO Negotiating Issues*, Prepared by the FAO Commodities and Trade Division as a background document for the Consultation on Agricultural Commodity Price Problems, 25-26 March 2002, Rome

[lxxviii] See “*Stopanski Vesnik*” N.1596, October 1984, p.18.

[lxxix] *Stopanski Vesnik* N.1526-7, July 1982, p.20.

[lxxx] *Stopanski Vesnik* 15<sup>th</sup> July, . 1986.

[lxxx] CRPM Interview with Georgiev and Spasova.

[lxxxii] See *Stopanstvoto na NR Makedonija*, Skopje, 1962, p.45.

[lxxxiii] See “Makedonka i Nejzinite Problemi [“Makedonka” and its Problems], *Stopanski Vesnik*, 12<sup>th</sup> May, 1965.

[lxxxiiii] CRPM Interview with Andon Mahojchev, 20<sup>th</sup> June, 2005.

[lxxxv] See “Insolventnosta na Pretpriyatijata vo SRM: Kolapsot ‘Okupira’ se Povekje Firmi [Debts of the Firms in SRM: Collapse for Many]” *Stopanski Vesnik* 1 February 1991. Estimates about Makedonka’s claims from other companies of former Yugoslavia range up to 20 million US dollars; interviews with Andon Manojchev, 18<sup>th</sup> February 2004, 13<sup>th</sup> May 2005.

[lxxxvi] About the losses of Makedonka see the data in the Minister of Economy’s paper, Fatmir Besimi “Foreign Direct Investments in the Republic of Macedonia”, September 2002.

[lxxxvii] Collected news of Macedonian Information Centre (M.I.C.) 6.12.1994.

[lxxxviii] Collected news by (M.I.C.) 7<sup>th</sup> March 1995.

[lxxxix] News by the Macedonian Information Liaison Service “Green Light for Privatization of Seven Enterprises” October 10<sup>th</sup>, 1995.

[lxxxix] CRPM Interview with Nada Cvetanovska, a trustee (stechaen upravitel) of Makedonka, 19<sup>th</sup> February 2005, and 19<sup>th</sup> May 2005.

[xc] See the story by AIM [Alternative Information Network] Skopje, June 15, 2001 “The Domino Effect of War” by Branka Nenevska

[xcii] See Interview with Nada Cvetanovska, 19<sup>th</sup> May 2005.

[xciii] Within the Makedonka complex a separate unit “OOZT Politeks Fabrika za Pleteni Tkaenini” also existed. It produced tkaenini od pamuk so smesa na drugi vlakna. Bought by Oaza company.

[xciiii] Data from PIOM, Pregled N.4 na pretpriyatija zagubari na koi e priznat pridonesot za penziskoto i invalidskoto osiguruvanje vrz osnova na zakluchoci na Vladata na RM. 7/2002, interview with Andon Mahojchev.

[xcv] Undefined ownership Bargala claims to be owner too, a court dispute. See *Utrinski Vesnik* 22.12.2003 “Vo Shtip se Otvori Vistinska Vojna za Predilnicata.”

[xcvi] Undefined ownership- Bargala claims to be owner too, in *ibid*.

[xcvii] Interview with an employee from “Politeks” who wanted to be anonymous, 26<sup>th</sup> August, 2005.

[xcviii] Interview with the owner Slave Ivanovski, on 23<sup>rd</sup> May 2005.



[xcviii] CRPM Interview 20<sup>th</sup> June 2005.

[xcix] CRPM Interview with Petar Dimitrovski, manager of “Proteks As” 29<sup>th</sup> August, 2005.

[cl] CRPM Interview 20<sup>th</sup> June 2005.

[cii] CRPM Interview with Aleksandar Kangalov, manager of ECM, 20<sup>th</sup> June 2005.

[ciii] CRPM Interview on 23<sup>rd</sup> May, 2005.

[civ] CRPM Interview with Milcho Macev former employee of Makedonka, one of the worker’s leaders at that time coordinating protests among them.

[cv] Stopanski Vesnik 1<sup>st</sup> December 1983.

[cvi] Interview with Sashko Rashev, former general manager of Astibo 2000-2002, 19<sup>th</sup> February 2005, Interview with Nada Cvetanovska, former manager of the finance unit, and a the trustee (stechaen upravitel) of Astibo, 19<sup>th</sup> February 2005, and 19<sup>th</sup> May 2005.

[cvii] Stopanski Vesnik 1 April, 1983.

[cviii] Stopanski Vesnik 1<sup>st</sup> August, 1983.

[cix] Stopanski Vesnik 1<sup>st</sup> of May, 1985.

[cx] See “Zgolemuvanje na Izvozot [Increase of Export]”, in *Stopanski Vesnik*, 1987.

[cxii] See “Modna Konfekcija”, p.9.

[cxiii] See “Insolventnosta na Pretprijetijata vo SRM: Kolapsot ‘Okupira’ se Povekje Firmi [Debts of the Firms in SRM: Collapse for Many]” *Stopanski Vesnik* 1 February 1991.

[cxiv] See the news “Frist Strikes in 1995” by Macedonian Information Liaison Service, 5<sup>th</sup> January 1995.

[cxv] See “‘Astibo’ Kolektiv na Mladi[‘Astibo’ Enterprise of the Young People]”, *Stopanski Vesnik*, 17<sup>th</sup> January, 1973.

[cxvi] See “Organizirano Protiv Nelikvidnosta [Organized against insolvency]”, *Stopanski Vesnik* 1<sup>st</sup> December, 1983.

[cxvii] Interview with Sashko Rashev, general manager of Astibo 2000-2002, 19<sup>th</sup> February 2005, Interview with Nada Cvetanovska, the trustee (stechaen upravitel) of Astibo, 19<sup>th</sup> February 2005.

[cxviii] Ibid.

[cxix] Interview with Nada Cvetanovska, 19<sup>th</sup> February 2005.

[cxviii] Interview with Mr.Georgiev XXXXXXXXXXXXXXXX

[cxix] See the news “Privatization-What with ‘Astibo’”, Macedonian Informative News, 14<sup>th</sup> April, 1994.

[cxx] Data from PIOM, *Pregled N.4 na pretprijetija zagubari na koi e priznat pridonesot za penziskoto i invalidskoto osiguruvanje vrz osnova na zakluchoci na Vladata na RM. 7/2002.*

[cxxi] CD *Astibo*, ISBN 9989-825-97-8, created by EIN-SOF, 2002.

[cxxii] The paying off of the debtors was to be done in accordance to their share, i.e. percentage, in the total debt of Astibo.

[cxxiii] CRPM Interview with the president of the consortium Venco Filipovski, manager of VIT, 26<sup>th</sup> August 2005.

[cxxiv] The owner of the former Astibo hotel today is Mr.Barzov, the manager of the shoe producing company “Bargala.”

[cxxv] In our fact finding missions, we have made in person and phone interviews with managers of Shtip textile and apparel producers and collected data from different sources such as: data from PIOM [Pension Insurance Fund of Macedonia for September 2004 and February 2005, *Tekstilen Informator* [Textile Informant] October 2004, pp.34-35.

[cxxvi] CRPM interviews with Beti Saneva owner of “Beas” and Venco Filipovski owner of “ViT”, 26<sup>th</sup> August, 2005.

[cxxvii] See Data from the Ministry of Economy, Observatory 2004.

[cxxviii] The name has been changed at the request of the interviewee. CRPM interview with K, 15<sup>th</sup> September, 2005.

[cxxix] The name and the name of the company have been changed at the request of the interviewee. CRPM interview with X, 15<sup>th</sup> September, 2005.

[cxxx] The names have been changed at the request of the interviewees. CRPM interview with P and O, 15<sup>th</sup> September, 2005.

[cxxxii] The summary based on an article published in Vest, on 12<sup>th</sup> September, 2005, “130 Pati Daruval Krv, A Kopal da Plati Smetki za Voda.”

[cxxxiii] See the article in Dnevnik “Golman Brani 5,000 Sindikalci”, 19<sup>th</sup> September 2005.

[cxxxiiii] Ibid.

[cxxxv] CRPM Interview with Zmaj Promet (asked for the data to be anonymous) tehnicki director Valerij Trajkovski 24.11.2004.

[[cxxxv](#)] CRPM Interview on 16.06.2005.

[[cxxxvi](#)] Kamil Sped; Bak Sped; Inter Sped; Pela Sped; Monata Sped; Nastel Ekspor; Jastreb: Mako Sped; Viza Sped; Sibo Sped; Eurogen Sped; Fershped; Fiva Sped; Birkard; Global Plus; and Asteks.

[[cxxxvii](#)] Angroteks; Boemo; and Vinichanka/Miko.

[[cxxxviii](#)] The other 23 companies with the place of origin in brackets were: Bitolateks (Bitola), Teteks (Tetovo), Partizanka (Kochani), Prima (Kochani), Dekorteks (Radovich), Frotirka (Delchevo), Goblenka (Delchevo), Alkaloid (Berovo), Strumichanka (Strumica predilnica), Gerazd Cunev (Strumica), Edinstvo (Strumica), Noncha Kamisheva (Veles), Goteks (Gostivar), Dekon (same), Struzhanka (Struga), Skuteks (Skudrinje), Bratstvo (Rostushe), Biljana (Prilep), Politkes (Prilep), Karposh (Kriva Palanka), Kiro Fetak (Kumanovo), Pelister (Bitola), Sniteks (Sveti Nikole), Politeks (Shtip), Jugoteks (Strumica), C.Dzvezda (Skopje), Luka (s.Lukavci).

[[cxxxix](#)] Stopanski Vesnik 15<sup>th</sup> of February 1986.

[[cxl](#)] Ibid.

[[cxli](#)] Stopanski Vesnik 1<sup>st</sup> September 1986.

[[cxlii](#)] Stopanski Vesnik 15<sup>th</sup> February 1987.

[[cxliii](#)] See “Makedonka: Sinonim na Tekstilniot Razvoj [A synonym for Apparel Growth]”, in *Stopanski Vesnik*, 1987.

Date: November 29<sup>th</sup>, 2005  
Place: Skopje, Macedonia