POLITICAL ECONOMY OF TETOVO AND KUMANNOVO: LEGACIES FROM THE COMMAND ECONOMY

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Abstract

In this paper we illustrate the development of Kumanovo and Tetovo municipalities during the centrally planned economy within Yugoslavia and their share in the local economy of the Socialist Republic of Macedonia. We also illustrate the recent rational behavior of the citizens of Kumanovo and Tetovo that are engaged in the economy of Afghanistan and Iraq. The end use of the remittances that fuel the economies of Tetovo and Kumanovo are different one economy from the other. The possible explanation goes deeper in the characteristics of the early development of the two cities in the socialism before the 1990 when the transition started.

Keywords: transition, remittances, emigrants, political economy.

1. Introduction

Kumanovo and Tetovo are two similar municipalities equally distant from the Capital City of Republic of Macedonia, Skopje. One difference is in the demography and the dominance of the different nationalities in one to another. In Kumanovo, Macedonians are the biggest ethnic group, followed by Albanians and opposite of that the biggest ethnic group in Tetovo are Albanians and followed by the Macedonians. Different ethnic compositions of the population in both municipalities might’ve been the reason for different priorities by the central governments during the period of Social Republic of Macedonia. And more, different experiences from the period of Social Republic of Macedonia, dominance of one or the other ethnic group, culture and values might’ve been strongly reflected in the entrepreneurial behavior and economic development of these two municipalities.

2. The development of Kumanovo in the Socialist Republic of Macedonia

Kumanovo is a municipality of mixed cultures, religions and traditions. Situated in the northeastern part of Republic of Macedonia, Kumanovo is the intersection of the two most important corridors in the country (Corridor 8 and Corridor 10). By number of inhabitants, Kumanovo is the largest municipality in Macedonia, occupying an area of 509.48 km². Today it is a truly multi-ethnic center. Municipality of Kumanovo has 105,484 inhabitants, of which 60.4% Macedonians, 25.9% Albanians, 8.6% Serbs, 4% Roma, 0.3% Turks, 0.2% Vlachs and 0.6% other nationalities. The geographic characteristics allowed Kumanovo region to be inhabited since prehistoric times, as witnessed by a number of archeological sites from this period.

According to the figure from ‘48 to ‘81, we can derive a simple conclusion that the population growth in Kumanovo increased steadily during the period. In ‘81 it started to decline until ‘94, and then slightly began to rise.

The calculated indices derived from these data showed that the population in ‘81 compared with ‘48 increased by 54 percentage points; compared with ‘53 increased by 40 percentage points; compared to ‘61 increased by 26 percentage points; and compared to ‘71 increased by 11 percentage points. The number of inhabitants in ‘02 was 16 percentage points less than the number of population in ‘81. According to the number of population in ‘94, the population in Kumanovo in ‘02 increased by 12 percentage points. Population growth from ‘48 to ‘81 was due to the migration village–town, because of the industrialization. In the eighties, Socialist Republic of Macedonia plunged into a debt crisis so many citizens went temporarily to work abroad and took their families with them.

Because our subject of interest is the economic development of the Municipality of Kumanovo, in the socialism, by analyzing the statistical data, we can illustrate its development during this period.

Figure 1:
Population in Kumanovo.

Figure 2:
Number of business owners-individual sector in Kumanovo.

Figure 3:
Number of workers in small businesses

According to the data, in the period between ’85 to ’91 many small business owners occurred in ’90, and many workers in small businesses were employed in the traffic sector in ’86. From the figure, we can also note that traffic, trade and catering have been continuously present as number of business owners and the highest percentage of employees came from these sectors in early 80s. The crafts sector experienced high growth during the ’91 when the transition toward market economy started. Crafts began to rise in ’91, because the industrial production was in closure and restructuring and craftsmanship came as an alternative. Until then, it was suppressed by the other sectors.

The next figures illustrate the representation of organizations and communities by activities. The majority of the organizations were in the non-economic sector, such as social-political organizations-SPO and other organizations, as well as in the education. On the other hand, most common organizations in the mid 80s from economic sector were the industry sector and agriculture and trade sectors. Industry and mining sector in Kumanovo declined significantly in late 80s but agriculture and fisheries increased significantly. These were the stylized facts of the economy in a transition.

Figure 4:
Organizations by activities- economic sector.

Figure 5:
Organization by activities – non economic sector.
The Employment in Kumanovo has its own growth and decline over the years. In ‘77 there has been a significant decline in employment and in the coming years it grew. In ‘90 and ‘91 there was new noticeable decline in the employment and the reason for this was the deindustrialization because of the transition. If we make comparison between the years ‘68, ‘80 and ‘91 in ‘68 43% of the population in Kumanovo was employed in the industrial sector, 10% in agriculture, 8% in construction and trade, and insignificant part in the other sectors of the economy. In the non-economic sector in ‘68 6.73% of the population was employed in education, science and culture and 27% in social and political communities. In ‘80 in the economic sector, 58% were employed in industry, 11% in agriculture, 10% in trade, 7% in construction and in the non-economic sector, 48% in education, 29% health and 23% in the SPO. In ‘90 the employment by sectors was: 62% worked in industry (economic sector), 11% education, 40% health, 16% in the SPO, etc. The downward trend in employment in the early ‘90s was due to deindustrialization.

**Figure 6:**
Number of workers in Kumanovo.

**Figure 7:**
Number of workers by activity – economical sector.

**Figure 8:**
Number of workers by activity – non economic sector.

If we look at the national income\(^4\) of Kumanovo as part of the Socialist Republic of Macedonia and the activities in which it was accomplished, most people incomes were realized in industry and mining (44% in ‘65, 47% in ‘77 and 55% in ‘90-) and in agriculture (37% in ‘65, 24% in ‘77 or 13% in ‘90).

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\(^4\) National income is calculated in terms of material production. National income in the tables for basic distribution of social product (net value product) concerns newly-created value calculated as depreciation or as total of net pay and surplus production.
The behavior of the social product is illustrated in the following table. Most of the social product was coming from the industry and mining with a peak in '88, then agriculture, and smaller part to the trade and construction. In the '90s, the percentage of social product created in the industry was reduced, due to the start of the deindustrialization other sectors were picking up.

Table 1: Social Product - Kumanovo

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry and mining</th>
<th>Agriculture and fisheries</th>
<th>Forestry</th>
<th>Water supply</th>
<th>Construction</th>
<th>Traffic and tourism</th>
<th>Trade</th>
<th>Catering and tourism</th>
<th>Craft</th>
<th>Other services</th>
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</tr>
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<tr>
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<td>14%</td>
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<td>1%</td>
<td>1%</td>
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<tr>
<td>1984</td>
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<td>1985</td>
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<td>1988</td>
<td>64%</td>
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<td>0%</td>
<td>2%</td>
<td>5%</td>
<td>12%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>1989</td>
<td>57%</td>
<td>18%</td>
<td>1%</td>
<td>0%</td>
<td>3%</td>
<td>12%</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>1990</td>
<td>56%</td>
<td>13%</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>16%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: State statistical office of Macedonia

The personal income in the years analyzed is fluctuating. Personal income in trade has grown by the years, but in the '90 it declined. Traffic and crafts, on the other hand, have been continuously declining, but in '90 it started to grow.
As far as the companies that contributed to the development of the municipality and the community, we can say that Kumanovo in the socialism was versatile in companies from different sectors. A small number of private manufacturing firms in the Kumanovo area rose from the ashes of the socialist industry, taking advantage of the once technological development and the pool of experienced workers and business contacts that were built in the previous system.

**Table 2: Factories in Kumanovo, Socialist Republic of Macedonia.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Factory/Company</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>&gt;Boro Petrushevski- Papuchar</td>
<td>Tobacco</td>
</tr>
<tr>
<td>1947 and 1948</td>
<td>&gt;FMK Spark</td>
<td>metal industry</td>
</tr>
<tr>
<td></td>
<td>&gt;CIK Kumanovo</td>
<td>shoe industry</td>
</tr>
<tr>
<td></td>
<td>&gt;Dimche Erebica</td>
<td>wood industry</td>
</tr>
<tr>
<td></td>
<td>&gt;Jug-Turist</td>
<td>transport</td>
</tr>
<tr>
<td></td>
<td>&gt;Prosveta</td>
<td>print</td>
</tr>
<tr>
<td></td>
<td>&gt;NAMA</td>
<td>trading enterprise</td>
</tr>
<tr>
<td>1953</td>
<td>&gt;11 Oktomvri</td>
<td>welding and tubes factory</td>
</tr>
<tr>
<td>1953</td>
<td>&gt;Kozjak</td>
<td>construction company</td>
</tr>
<tr>
<td></td>
<td>&gt;Agrosnabditel</td>
<td>trading enterprise</td>
</tr>
<tr>
<td>1954</td>
<td>&gt;Tekstilopromet</td>
<td>Trading enterprise</td>
</tr>
<tr>
<td></td>
<td>&gt;11 Noemvri</td>
<td>metal processing industry</td>
</tr>
<tr>
<td>1957</td>
<td>&gt;Maj</td>
<td>wood industry</td>
</tr>
<tr>
<td>1958</td>
<td>&gt;30 Juli</td>
<td>plastic enterprise</td>
</tr>
<tr>
<td></td>
<td>&gt;KRR Kumanovo</td>
<td>leather industry</td>
</tr>
<tr>
<td>1960-1970</td>
<td>&gt;Compleks Kumanovo</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;ZZ Sloga</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;Todor Velkov</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;ZZ Nikushtak</td>
<td></td>
</tr>
<tr>
<td>90’s</td>
<td>&gt;SOBIM</td>
<td>motorcycles and bicycles</td>
</tr>
<tr>
<td></td>
<td>&gt;BOSS</td>
<td>shoe industry</td>
</tr>
<tr>
<td></td>
<td>&gt;TUSHEVSKI</td>
<td>shoe industry</td>
</tr>
</tbody>
</table>

*Source: Media research*
Most of the population from the Municipality of Kumanovo worked in these companies and thus formed the economic and social life, not only of the municipality, but also they helped in the development of the overall economy of the Socialist Republic of Macedonia.

But huge part of the population in Kumanovo, went to work abroad i.e. they accounted 4% of the total population in Macedonia. Of these, 11% were females. Of the total number of workers who have left to work abroad, more than 60% were farmers.

3. The development of Tetovo in Socialist Republic of Macedonia

The municipality of Tetovo is situated in the northwestern part of Republic of Macedonia and 41 km from the capital City of Skopje. Today, the municipality covers an area of 87 km². Tetovo is one of the oldest cities in Macedonia in which throughout history mingled many cultures. Tetovo has a favorable geographical position and favorable climatic conditions that allow Tetovo’s region to have many clear water springs, benefit that only few cities in Macedonia have.

Municipality of Tetovo, in terms of the population structure is a multi-ethnic community. Out of 86,580 people, 23.1% are Macedonians, 70.3% are Albanians, 2.7% Roma, 2.2% Turks, 0.6% Serbs, 0.2% Bosniaks and 0.7% other nationalities.

According to the next figure we can see higher population growth from ’71 onwards, than from ’48 to ’71. Indexes derived from these data can show this more accurately: the population in ’81 compared with ’43 increased by 94 percentage points, compared to ’53 increased by 73 percentage points, compared to the ’61 increased by 55 percentage points and compared to ’71 increased by 24 percentage points (we acknowledge the fact that there might be changes in the territorial composition during the period).

In the next 10 years the number of the population fell substantially, for various reasons, but mainly because of the decline in the industrialization. This transitional fact forced citizens to look for a better life beyond Macedonia’s borders. The decline in the number of the population was large, and the biggest reason for this was the Albanians that mainly worked abroad and withdrew their families with them.

Figure 11:
Population in Tetovo.

We will also present the economic development of the municipality, analyzing some statistical data. According to the data from the figure, most small business owners and employees were registered in the traffic sector. Traffic and trade developed continuously over the years but declined with the start of transition whereas crafts were growing especially in ’91.

The following figure shows in which activities during the period from '83 to '91, were registered most of the organizations. According to this, most organizations were registered in the non-economic sector as socio-political organizations, but also in education, science and culture. In the economic sector most organizations and communities were registered in the industry, agriculture and trade but started to decline with the transition. Other branches developed significantly after '91.

According to the presented data, the number of employees was increasing, but there has been a significant decline in employment in '77 and '78. After the fall, the economy recovered, but back in '90 it declined again because of the start of the transition. The economy continued to decline, while the employment in non-eco-
nomic sector increased. We will make a comparison of the employment in ‘68, ‘80 and ‘91. In ‘68 in the economic sector, 54% of the total number of employees was employed in industry while 7% were employed in agriculture, in construction 3%, 8% in commerce and insignificant part in the other industries. On the other hand, in the non-economic sector, the same year 76% were employed in education and culture and 24% in the social-political communities. In ‘80, 62% were employed in the industrial sector, 2% in agriculture, 8% in construction, 12% in trade, while in the non-economic sector, 49% in education, science and culture, 29% health and 22% in the SPO.

Figure 16:
Number of workers, Tetovo.

The employment by sectors in ‘91 was like this: in the economic sector, 65% were employed in industry, 5% in agriculture, 8% in construction, 13% in trade, while in the non-economic sector: 46% in education, science and culture, 34% health and 19% in the SPO.

As we explained before, the employment in the industry started to grow, and in the ‘90s began to decline. Agriculture on the other hand, has a sharp decline at the beginning of industrialization, and later, as well as the other sectors in the economy started to grow, due to the decline of the industrialization.

Figure 17:
Number of workers by activity – economic sector.

In the non-economic sector, the number of employees was nearly constant, without major fluctuations.

Figure 18:
Number of workers by activity – non economic sector.

National income in Tetovo fluctuated over the years. Most of it was realized in the industrial sector, as follows: 48% in ‘65, 40% in ‘77, 48% in ‘91, in agriculture, 29% in ‘65, 21% in ‘77 and ‘90 and in trade: 12% in ‘65, 17% in ‘77 and 15% in ‘90.

Although employment in the mining industry in the late ‘80s declined, it still remained to be leading driver of the economy, due to the poor development of the other sectors.
The movement of the social product is similar to the one in Kumanovo. The social product over the years grew continuously because of the industrial development of the country. In the '90s the deindustrialization caused decline of the social product from the industry and that allowed other sectors to get higher shares in the socio-economic processes.

### Table 3: Social Product - Tetovo.

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry and mining</th>
<th>Agriculture and fisheries</th>
<th>Forestry water supply</th>
<th>Construction</th>
<th>Traffic</th>
<th>Trade and tourism</th>
<th>Catering and tourism</th>
<th>Craft</th>
<th>Other services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>38%</td>
<td>25%</td>
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<td>7%</td>
<td>16%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>1977</td>
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<td>0%</td>
<td>1%</td>
<td>9%</td>
<td>16%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>100%</td>
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<tr>
<td>1978</td>
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<td>1%</td>
<td>8%</td>
<td>18%</td>
<td>2%</td>
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<tr>
<td>1979</td>
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<td>19%</td>
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<td>5%</td>
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<tr>
<td>1980</td>
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<td>1%</td>
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<td>15%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
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<tr>
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<td>0%</td>
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<tr>
<td>1985</td>
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<td>15%</td>
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<td>16%</td>
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<td>0%</td>
<td>3%</td>
<td>12%</td>
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<td>3%</td>
<td>12%</td>
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<tr>
<td>1990</td>
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<td>0%</td>
<td>5%</td>
<td>14%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Source: State statistical office*

Personal income over the years was highly variable. It declined over the years in the traffic and crafts sector and grew only in the trade sector.

### Figure 20:

Personal income, Tetovo.
Tetovo’s economy was based on some of the largest commercial organizations inherited from the former system and during the transition period the private sector gained a significant position, especially the wood-processing industry, plastics and other trade. Significant socialist enterprises that marked Tetovo’s economy are summarized in the following table:

**Table 4: Factories in Tetovo, Socialist Republic of Macedonia.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Factory/Company</th>
<th>Sector</th>
</tr>
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<tr>
<td>1951</td>
<td>&gt;TETEKS textile factory</td>
<td>textile factory</td>
</tr>
<tr>
<td>1952</td>
<td>&gt;JUGOHROM chemical-electro metallurgy</td>
<td>chemical-electro metallurgy</td>
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<tr>
<td>1953</td>
<td>&gt;Edinstvo fashion apparel</td>
<td>fashion apparel</td>
</tr>
<tr>
<td>1960</td>
<td>&gt;Agreomont wholesale and retail</td>
<td>wholesale and retail</td>
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<tr>
<td>early 60's</td>
<td>&gt;Zito Polog food industry</td>
<td>food industry</td>
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<tr>
<td></td>
<td>&gt;ZIK Tetovo agricultural sector</td>
<td>agricultural sector</td>
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<td></td>
<td>&gt;SIK JELAK wood industry</td>
<td>wood industry</td>
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<tr>
<td>early 90's</td>
<td>&gt;Avtoprogres automechanika</td>
<td>automechanika</td>
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<tr>
<td></td>
<td>&gt;Medicinska Plastika-Tetovo medical plastic</td>
<td>medical plastic</td>
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<td></td>
<td>&gt;Electometal electro-metallurgy</td>
<td>electro-metallurgy</td>
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<tr>
<td></td>
<td>&gt;Tetovogradba construction company</td>
<td>construction company</td>
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</tbody>
</table>

*Source: Media research*

In addition we should also mention the workers that left for temporary work abroad. Namely, according to the data from’71, workers from Tetovo that were on temporary work abroad were 10% of the total number of overseas workers from Macedonia. However, only 5% of them were females. Like in Kumanovo, the most common group of people that went to work abroad, were farmers (68% of that total number moved from Tetovo).

**4. The differences and the similarities between Tetovo and Kumanovo**

In the study above we analyzed Kumanovo and Tetovo, two municipalities that have so many common features and differences. Geographically, they are at the same proximity of the Capital City of Republic of Macedonia, Skopje. We saw that in Kumanovo the deindustrialization took larger part of the businesses whereas in Tetovo the deindustrialization didn’t take that much intensity (number of workers in industry on Tetovo remained stable in the late 80s). On the other side agriculture started to rise in the early 90s in Kumanovo whereas the registered agriculture in Tetovo was declining probably because of the non-registered agriculture activities and more citizens leaving Macedonia and Tetovo and going to work abroad compared to Kumanovo.

The geostrategic position of the two municipalities is favorable, given the fact that the main international corridors are passing through or close to their territories and also the proximity of the Capital City of Skopje.

Another feature that connects the municipalities is the ethnic diversity. The biggest ethnic groups in both municipalities are the Macedonians and the Albanians (higher share of Macedonians in Kumanovo and higher share of Albanians in Tetovo).

In terms of the demographic point of view in Kumanovo, we can say that the demographic structure of the population is an important indicator of the dynamics of the population growth and it might be an important element for the development of political economy of the two municipalities.
The population's structure in Kumanovo and Tetovo is heterogeneous, not only in the municipal core, but also in most of the rural areas where there are various nationalities and ethnic groups, with different customs, religion and habits.

Kumanovo has developed industry and is a center of industrial production in the northeastern part of Macedonia. The shoe industry in this municipality has big tradition and persists with decades. Today, in the municipality are operating more than 60 manufacturing shoe companies, making the municipality center for the shoe industry in Macedonia and beyond. The products are intended for Macedonia, the former Yugoslav countries, and also for Bulgaria, Greece, Albania and Italy. Smaller part is exported in the Czech Republic, Slovakia and Germany.

Also, a few years ago, the factory FZC 11 Oktonvri AD Kumanovo began to operate. The factory is for welding pipes and profiles and it employs more than 250 workers and has a major part in the creation of the economy of the municipality.

The economy in the Municipality of Tetovo in the last years has marked increased development. Main developing activities and also industrial pillars of Tetovo are the wood processing industry, construction and building materials industry, agriculture, the textile industry etc. Furthermore, constant development of the economy can be noticed from the permanent achievements of many business objects that operate in the region of Tetovo. 98% of them belong to small and medium entrepreneurship, and only 2% belong to big ones.53

Businesses that for the past several years contributed to the development of the Tetovo region are from the wood industry (furniture), construction, food industry and textile industry. These sectors with their capacities and technology became competitive not only on the market in Macedonia but also on the Balkans and beyond. Some of the enterprises that produce furniture for households and offices are equipped with modern technology CNC and have potential to approach to the international markets.

The biggest difference between the cities is the direction of development after the deindustrialization. In Tetovo there is more Albanian population as it is in the proximity of Kosovo and Albania. Many Albanians work abroad and the money they earn there are invested in small businesses in Tetovo and the surrounding area. On the other hand, Kumanovo also has a large percent of Albanian population and the municipality is close to Serbia. The population there started more intensively to go abroad much later with the opportunities arisen in Afghanistan and Iraq.

Thus, another difference between the two municipalities is that while Tetovo have had higher number of “older” emigrants from the 80s than Kumanovo, in Kumanovo higher number of citizens started to go abroad with the opportunities occurred in Afghanistan and Iraq. This might be a reason for the difference of the investing behavior of the migrants in using their remittances. Namely, while in Tetovo the “older” migrants were already supporting their families with fixed assets (houses and vehicles) most of the Kumanovo citizens were sharing the destiny of the early transition challenges in Macedonia. Latter, when the opportunities in Afghanistan and Iraq arise, Tetovo migrants could’ve start to make rational choices to invest in businesses from remittances from Afghanistan and Iraq while Kumanovo just-started-migrants are still in the “early” wave of choices to invest in houses, flats and vehicles. Also, Tetovo and Tetovo region’s citizens never stopped to “export” migrants. The proximity to Kosovo (also a lot of migrants and remittances producing region) provided Polog region (where Tetovo is situated) with a unique pool of migrant’s experience. The Kumanovo region on the other side is at the early stage of this “migrant development pool of experience”. We will see more about the behavior of the migrants from Tetovo and Kumanovo and their investment decisions in the next chapter.

5. New realities of transition in Kumanovo and Tetovo

Republic of Macedonia on the beginning of the transition process was sharing the most favored position, but by the time has loosened its pace, and in 2012 is lacking behind its peers. Poor transition results partially can be explained with external shocks and influences, such as the embargo of Greece, wars in Yugoslavia, UN embargo for Serbia, war between NATO and Serbia, wave of 350,000 refugees from Kosovo (17% of Macedonian population) and the internal conflict from 2001. But more important, these poor performances also are result of the poor privatization process, poor restructuring of the economy, poor market liberalization etc. From the survey of EBRD we can see that in 2006 majority of citizens, around 80%, believe that they had better living standard in 1989. In the last survey of EBRD, only one third of Macedonians are satisfied with their life, which is very low compared with 43% in the transition region, or with high 72% in Western Europe.

![Figure 21:](image)

Transition in the countries of Central and Eastern Europe.

A low standard of living and poor economic performances have lead Macedonians to emigrate, mostly in Developed Countries and more recently in the high-risky countries, like Iraq and Afghanistan. Emigration is keeping close relations with the families in Macedonia, which can be confirmed with the amount of transfers of 1.5 billion Euros, or around 20% of the GDP, in 2011. The amount of current transfers is in a constant growth, which signalizes that Macedonians continue to emigrate, and is expecting a higher pace in the near future.

In addition to emigration in NATO military basis, located in highly risky countries, such as Iraq and Afghanistan became very attractive job opportunities, mostly for the citizens from municipalities of Kumanovo and Tetovo. These two municipalities are known for receiving big amounts of money through private transfers. According CEA’s Study of determinants and trends in remittance flows in Macedonia, in 2008 the region of Polog, where Tetovo is located, participated with 32.5%, and Kumanovo Region with 6% of the total private transfers in Macedonia. We must point that the number of emigrants who work in the military basis in Afghanistan and Iraq was much smaller, compared to the current number of emigrants.

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54) See more: Long Run Economic Consensus in the Republic of Macedonia. Center for Economic analyses – CEA.2012 (forthcoming)
In 2012 CEA conducted a research about private transfers from Afghanistan and Iraq, from economic emi-
grants coming from Kumanovo and Tetovo. These are one of the biggest municipalities in Macedonia, where-
as in Kumanovo are living 5%60 of Macedonian population, where the majority of the population (59.6%)61
are Macedonians, and on the other side in Tetovo are living 3.4%62 of Macedonian population, where major-
ity are from Albanian nationality (64%).63 Results from the research are that the biggest reason for working
in the military basis is ensuring better future for the children. In addition to that, following reasons are added:
low wages in Macedonia, lack of job opportunities and politicization of Macedonian society in recruitments
for taking jobs and for other important decisions.

Only 23 percent of the respondents answered that working in the military basis in Iraq and Afghanistan is not
a favorable solution, due to the high risk for their life. On the other side, the other three quarters of the
respondents believe that working in the military basis in Iraq and Afghanistan is a good solution for them-
selves and their families. Over 90 percent of respondents answered that they will work in the military basis
in Iraq and Afghanistan, regardless if they are able to find a job in Macedonia or not. Money which these
workers are sending to their families is far higher than the average annual Macedonian net salary of around
4,000 Euros. In comparison, 35 percent of respondents are sending their family between 10,000 and 25,000
Euros annually. The same percentage of respondents is sending between 25,000 and 50,000 Euros, each
year. It is impossible for a low skilled worker to earn that amount money in Macedonia, working as a truck
driver, plumber etc. Also, these amounts are far higher from the calculated average of 2,000 US dollars sent
by emigrants, in the Study from 2008.

High amounts of earned money, by the persons who work in the military basis in Iraq and Afghanistan, cause
changes in the behaviors and habit, in themselves and their family, as well. High number of emigrants in the
military basis in Iraq and Afghanistan steamed economic expansion in these municipalities, especially in the
real-estate sector in Kumanovo.

From the survey we can see that emigrants from Kumanovo are earning and sending larger amounts of
money in Macedonia, compared with the emigrants from Tetovo. The percentage of emigrants who are send-
ing between 25,000 and 50,000 Euros annually is twice as high as in Kumanovo, compared with emigrants
from Tetovo. Furthermore, none of the surveyed emigrants from Tetovo were able to earn and send between
50,000 and 75,000 Euros for one year.

Figure 22:
How much money are you sending home from
Iraq and Afghanistan.

Larger shares of emigrants from Tetovo who
work in the military basis in Iraq and
Afghanistan are confident to invest earned
money in Macedonia. While on the other site,
larger shares of emigrants from Kumanovo
don't want or are not confident to invest their
money in Macedonia. This is very strong signal
about the need for improvement of the busi-
ness environment in Kumanovo.

The largest part of earned money by the emigrants from Kumanovo, is spent on satisfying everyday family's needs. While on the other side, the largest part of earned money, by the emigrants from Tetovo, are invested in their homes. What's more interesting is that double percentage of migrants from Kumanovo, where the majority of the population are Macedonians, are saving their money in banks or are buying houses and/or apartments. On the other side, the percentage of emigrants who are investing their money on starting businesses is twice as high in Tetovo, where the majority of the population is from an Albanian nationality. Part of this can be explained by the length of experience Albanians have had starting and managing businesses, starting from the period of Yugoslavia. And part of this can be explained by the fact that in Tetovo the “older” migrants were already supporting their families with fixed assets (houses and vehicles) and in Kumanovo the just-started-migrants are still in the “early” wave of choices to invest in houses, flats and vehicles. This certainly requires a more in depth study.

A similar result is given in the next figure. Emigrants from Tetovo are more successful entrepreneurs, compared the emigrants from Kumanovo. The share of emigrants, who were working in the military basis in Afghanistan and Iraq, and who started their own business in Macedonia and are successfully working, is much higher in Tetovo. On the other side, the same emigrants from Kumanovo are much less successful in

starting and managing their own business. One of the most important reasons for failure in Kumanovo is pointed to the lack of knowledge and experience for managing a business but another explanation can be purely statistical. Namely, if more businesses are started in Tetovo then it is expected that more businesses will fail in Tetovo. This certainly requires deeper research.

Furthermore, local businesses from Tetovo are experiencing larger positive effects from the emigrants working in the military basis in Iraq and Afghanistan. Close relations with the locals are causing positive effects for the business, besides lower amounts of sent money by emigrants from Tetovo. On the other hand, the same emigrants from Kumanovo are sending larger amounts of money, but local businesses are not feeling strong positive effects from it. Part of this can be explained with buying luxury cars and real-estate and other products in which the local economy of Kumanovo doesn’t have significant participation in the production process.

Figure 25:
Are emigrants that start business successful?

Figure 26:
What is the influence of emigrant’s buyers on your business?
Conclusions

Large state owned enterprises, operating in various industrial sectors, were employing the biggest share of the workers from Kumanovo and Tetovo. With the transition from planned to a market economy, large share of state owned enterprises were working with a fraction of their former production levels or completely stopping the production and going in bankrupts.

Kumanovo and Tetovo were not immune on the poor transition results. Both municipalities experienced negative effects of the external shocks: embargo of Greece, wars in Yugoslavia, UN embargo for Serbia, war between NATO and Serbia, wave of 350,000 refugees from Kosovo or 17% of Macedonian population and the internal conflict from 2001. Furthermore, poor privatization process, restructuring of the economy, market liberalization etc. lead to increasing unemployment and poverty among citizens in both municipalities.

Longer migration history and entrepreneurial experience in Tetovo, makes its citizens being more confident in investing their money in starting business, and at the same time being more successful in running the started businesses. This can be seeing from the increased competitiveness of the businesses from Tetovo, steamed by the modernization and growth of the companies. Authorities from the municipality of Tetovo should be focused on attracting more emigrants for starting businesses. With existing companies and attracting new ones Tetovo is on a good way to became regional industrial center for Macedonia, Kosovo and Albania.

On the other side, due to the increased demand for houses and apartments, by the emigrants from Iraq and Kumanovo, construction activities are booming in this municipality. Citizens from this municipality are less confident to invest their money in Macedonia or starting its own businesses. Furthermore, emigrants from Kumanovo are less successful in running businesses, which partially can be explained with shorter experience for opening new business, starting from the period of Social Republic of Macedonia or this can be just a statistical phenomena.

Having in mind, increased competencies of the municipality of Kumanovo, local authorities must put more efforts for improving local business environment for starting and running business. More concretely, confidence among emigrants for investing their money must be increased and at the same time creating measures for increasing the rate of successfully started businesses.

In both municipalities, politicization of the societies is pointed as one of the biggest reasons for emigrating. This politicization is presented in all important decisions, especially in the process of employment. Finally, this is a message and a case study for the central government that asymmetrical policies are required in running the country and especially in creating the balanced regional development policies.

References

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