

PROSPECTS FOR ECONOMIC RECOVERY OF THE PRESHEVO VALLEY

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(Abstract) The aim of this paper is to highlight aspects of economic problems and potential solutions for economic recovery of the region of the Preshevo Valley, in South Serbia. This region is quite rich in terms of natural resources, but still remains underdeveloped in the economic aspect. Due to various negative developments on the political and economic scene during the last 20 years in Serbia, as a consequence it has faced various difficult challenges and crisis of political and economic nature. These crisis have led the country to a deep economic recession, high rate of unemployment and the deterioration of the living standard of its citizens. Although during the last few years the country has made a considerable progress in terms of economic recovery, the Preshevo Valley region continues to face the same economic problems accumulated and inherited over the years. As the culmination, the layering of problems of economic and political nature over many years and due to the lack of prosperity and perspective for their resolution, the population of the Preshevo Valley has largely abandoned the region.

Keywords: South Serbia, Preshevo Valley, the transition process; crisis of 90s, development policies.

Outline of Article:

Economic crises in Serbia, transition and impact in the Preshevo Valley
The resources of the municipalities of Preshevë, Bujanovc and Medvegjë
Prospects for economic recovery of the Preshevo Valley

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Introduction

Preshevo Valley is used as a common name in Albanian language for the three municipalities in southern Serbia: Preshevë/Preševo, Bujanovc/Bujanovac and Medvegja/Medvedja¹. It is inhabited by a mixed population, mainly Albanians and Serbs. According to the census of 2002 in the Republic of Serbia, the Preshevo Valley has 88,966 inhabitants.²

The Preshevo Valley is a region economically underdeveloped which during the last twenty years has experienced a period of intense political and economic crisis. Generally, the 1990s were the most eventful and turbulent decade in history of Republic of Serbia and Preshevo Valley. The wars waged in the former Yugoslavia, economic and political sanctions, inflation, has weakened a lot country's economy.

The dramatic changes in the political and economic scene began after the October 5, 2000 revolution in the Federal Republic of Yugoslavia, namely after the arrival of democratic forces to power and the establishment of the Coordination Body of the Government of the Republic of Serbia for the Municipalities

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¹ Names of the municipalities: in Albanian language/in Serbian language.

² Republic of Serbia, Republic Institute for Statistics, Publication: Final census results, no. 295, LII, 24.12.2002.
<http://www.mtt.org.rs/Srbijapopis2002.pdf>.

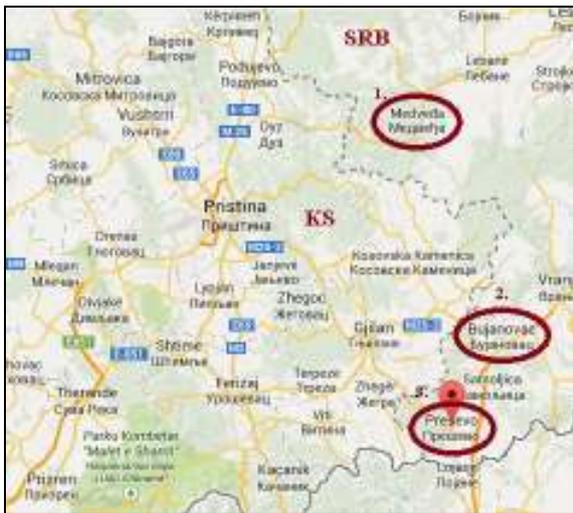
of Preshevë, Bujanovc and Medvegjë.³ As a first step towards normalization of the situation in the political scene in the Preshevo Valley is seen the integration of Albanians in local and state institutions of the Republic of Serbia, a process which is still not completely finished, being developed very slowly with frequent disagreements between Albanian political representatives and the Government of the Republic of Serbia. Although the Government through the Coordination Body for Preshevë, Bujanovc and Medvegjë in the last thirteen years has made efforts towards reaching a political stability and economic progress, in the field of economy no satisfactory results have been achieved.

Particularly, the period from 2000 onwards is questionable period why there was no progress in terms of economic development in the Preshevo Valley. The transition process in this region is essentially developed and ended only with privatization of former socially-owned enterprises. Above all, the weakness of this process is seen in the absence of the sufficient support to private sector development. To work towards economic recovery, in the focus of this process should have been strengthening of the private sector, especially stimulation of areas which have been identified as pillars of economic development in the Preshevo Valley.

Undoubtedly adverse events in the political and economic scene are reflected in social and demographic scene. Consequently, during the past 20 years residents have abandoned greatly the Preshevo Valley region.

To change the current situation, respectively to return a sense of perspective to the conduct of life in the Preshevo Valley, an economic recovery is indispensable, while the role of the Government in this regard is uncontested.

Figure 1, Map of the Preshevo Valley - municipalities: 1. Medvegje, 2. Bujanovc and 3. Preshevë⁴



Economic crises in Serbia, transition and impact in the Preshevo Valley

By examining GDP in the Republic of Serbia over the last 20 years,⁵ several key cases of recession or crisis occurred in Serbia and as a result caused a huge negative effect on the economy.

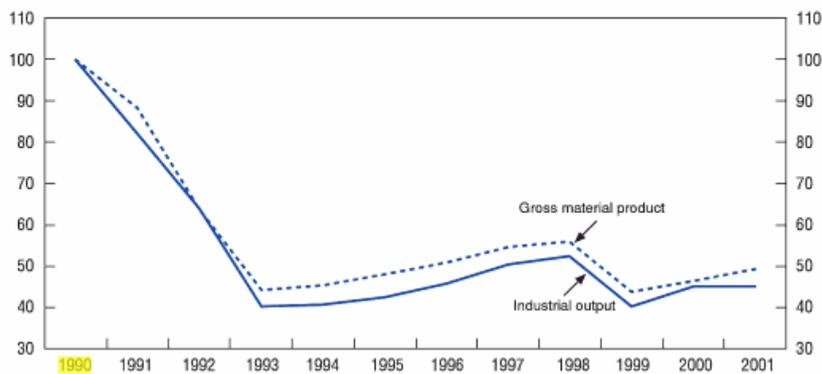
The longest economic recessions were recorded in 1993 as a result of the imposed international sanctions and the hyperinflation, and in 1999 due to the circumstances in the aftermath of the military air-campaign against the Federal Republic of Yugoslavia (Graph 1). A stabilization of GDP was achieved after the year 2000 but it was short-lived, it lasted only up to 2009 when again a recession of -3.5% was recorded due to the global economic crisis. After a brief recovery in the 2010 and 2011, in 2012 a recession of -2% (Graph 2) was recorded.

³ Government of Serbia, Coordination Body for the Municipalities of Presevo, Bujanovac and Medvedja, link: <http://www.kt.gov.rs/en/articles/about-us/>

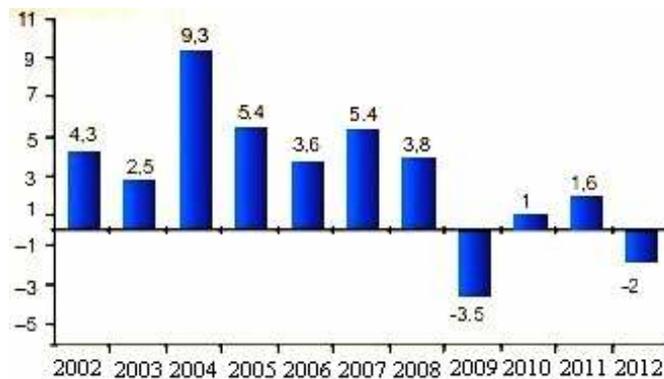
⁴ Source: Google Maps, link:

<https://www.google.com/maps/place/Pre%C5%A1evo/@42.5730908,21.0224783,9z/data=!4m2!3m1!1s0x1354f7e4c0da0fd1:0x3b633443b6fb680d>

⁵ GDP - Gross Domestic Product.

Graph 1, Industrial production and GDP, 1990-2001 (1990 = 100%)⁶

Source: Federal Statistical Office, *Statistical Yearbook of Yugoslavia, 2001* and *Monthly Review of Economic Statistics*.

Graph 2, The annual rates of change in real GDP over the period 2002 to 2012 in percentage⁷

During the past 20 years the Republic of Serbia has been shaken by frequent economic crises which have undoubtedly had huge negative effects especially in the most underdeveloped regions of the country including the Preshevo Valley.

The issue of the hyperinflation in the Federal Republic of Yugoslavia during the period 1992 to 1994 was an unprecedented phenomenon in the economic history due to its duration, intensity and devastating consequences. This time period faced an extreme level of increase in inflation, with prices rising sharply on a monthly basis by over 50%. This showed to be the generator and reflection of the general economic downturn, respectively economic collapse and impoverishment of the people and the country. In the initial phase, the negative effects of hyperinflation were further encouraged by its long duration, according to which the Republic of Serbia was ranked as the third country in the world: the first place belonged to Nicaragua (from 1987 to 1991), where hyperinflation lasted for 48 months, the second to Russia (from 1921 to 1924), 26 months, and the third one to Federal Republic of Yugoslavia (from 1992 to 1994), which lasted about 25 months.⁸

Another great recession was registered in 1999 as a result of the military air-strikes campaign against the Federal Republic of Yugoslavia and imposed economic sanctions by the international community. The decline of real GDP in 1999 compared to 1998 was 23.5%.⁹

⁶ OECD Economic Surveys: Federal Republic of Yugoslavia 2002, By OECD, page 22, link: <http://books.google.rs/books?ei=cK4PU4O1DYKDtAa3IYCgDA&id=Umw3of6NEsUC&dq=Federal+Republic+of+Yugoslavia+gdp&ots=sYpes0l7yd&q=gdp+1990#v=snippet&q=gdp%201990&f=false>.

⁷ Serbian Chamber of Commerce, Republican Statistical Office and the Ministry of Finance and Economy, brochure, link: <http://www.pks.rs/SADRZAJ/Files/CMIP/Brosura%20PKS%20sr.pdf>.

⁸ Source: National Bank of Serbia, Frequently Asked Questions, link: www.nbs.rs/internet/latinica/scripts/showfaqsection.html?lang=SER_CIR&konverzija=yes&id_sekcije=34#330.

⁹ National Bank of Serbia, Annual Report - 1999, economic developments in the country, page 1, link: www.nbs.rs/export/sites/default/internet/latinica/90/90_4/godisnji_izvestaj_1999.pdf.

With the advent of democratic option to power in Serbia, in 2000 the transformation of the economy had begun, respectively the transition from a command economy to a market economy. The transition process was developed in cyclical order and it has not yet completed. Undoubtedly, the good performance of this process is dependent on the willingness and readiness of the political parties in power.

Besides crisis of 90s, another great shock has caused the transition process; respectively the privatization of socially owned enterprises which employed a high number of workers. Many of the privatized enterprises have not continued their business activity after their privatization, while there are cases where the privatization processes are canceled. Enterprises remaining not privatized so far are considered not to be attractive to the potential investors due to their poor infrastructure conditions. In addition, another obstacle in this regard represent large debts that enterprises have accumulated over the years during their activity, their debts may even exceed the value of the enterprise.

Having in mind that the transition process has left major consequences in the economy of South Serbia in terms of increasing of unemployment, it demonstrates the fact that while in Serbia in 2001 every fourth worker has remained idle, in the south of the country, in the same period every second worker remained jobless. In year 2012, in the municipalities of Preshevë and Medvegjë the unemployment rate exceeded 50%. While in Bujanovc, it has been estimated close to 50%.

As a result of the difficult economic situation and the lack of perspective, a significant number of residents of the Preshevo Valley have fled the country seeking for a better life in the more developed countries of the Western Europe, respectively in the European Union Member States. Due of the long delays in resolving these problems, this trend of migration continues. Table 1 below shows that Serbia occupies the 5th place as a country of origin of asylum seekers in the 27 EU Member States and while the number in 2011 was 13,980, in 2012 it increased to 19,065, respectively to 36%.

Table 1, countries of origin of asylum seekers in 27 EU Member States in 2011 and 2012¹⁰

	Total (number)	
	2011	2012
Non-EU-27 total	302 950	321 720
Afghanistan	28 030	28 010
Russia	18 325	24 280
Syria	7 895	24 110
Pakistan	15 760	19 695
Serbia	13 980	19 065
Somalia	12 200	14 265
Iran	11 875	13 585
Iraq	15 190	13 175
Georgia	7 060	10 830
Kosovo (UNSCR 1244/99)	9 865	10 210
FYR of Macedonia	5 545	9 625
Dem. Rep. of Congo	6 295	8 285
Albania	3 075	7 465
Nigeria	11 520	7 450
Sri Lanka	7 395	7 330
Eritrea	5 690	6 395
Bangladesh	8 300	6 285
Turkey	6 460	6 205
Bosnia and Herzegovina	2 595	5 835
Guinea	6 245	5 635
Armenia	7 105	5 520
China (including Hong Kong)	5 645	5 045
Algeria	4 390	4 810
Stateless	2 465	3 510
Unknown	3 090	3 315
India	2 790	3 220
Egypt	2 105	2 650
Côte d'Ivoire	5 375	2 640
Morocco	1 970	2 620
Sudan	3 135	2 605
Other non-EU-27	61 580	38 050

Source: Eurostat (online data code: migr_asyappctza)

¹⁰ European Comision, Eurostat, Countries of origin of (non-EU-27) asylum seekers in the EU-27 Member States, 2011 and 2012, [http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Countries_of_origin_of_\(non-EU-27\)_asylum_seekers_in_the_EU-27_Member_States,_2011_and_2012_YB14.png&filetimestamp=20140130094445](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Countries_of_origin_of_(non-EU-27)_asylum_seekers_in_the_EU-27_Member_States,_2011_and_2012_YB14.png&filetimestamp=20140130094445).

Apart from the problems of economic nature, political tense situation from 1999 to date has contributed also to the current overall bad situation in the Preshevo Valley. Frequent political crisis between the Albanian political factor and the Government of the Republic of Serbia has deteriorated even further the fragile situation. As a result of disagreements over the policies of the Government of the Republic of Serbia and the ignoring of the legitimate requirements of the Albanians, the Albanian political factor often chose the option of boycott. Due to the boycott of the census, today it lacks accurate statistics on demographic changes in the Preshevo Valley region.

Finally, to have stability and economic development in the Preshevo Valley firstly stable and sustainable long-term development policies should be established and implemented. In addition, more effective and efficient communication should be established between the Government and the Preshevo Valley.

The resources of the municipalities of Preshevë, Bujanovc and Medvegjë

Municipality of Preshevë covers an area of 264 km². From this area, 60% is agricultural land, while 37% is forest land. According to the census of 2002 the municipality of Preshevo has 34,904 residents with average age of 29 years. Regarding the structure of education, 42% of the population has completed primary school, 18% high school and 5% higher education. According to the strategic development plan of the municipality, as major economic sectors are identified agriculture and tourism. The municipality owns relatively favorable conditions for the development of several kinds of businesses in the areas of agriculture and food industry. The mountainous area is favorable for the development of orchards, vineyards and livestock. Preshevë municipality has a potential for tourism development due to its local culture, natural sites, but in order to develop this sector major investments are needed. Another prerequisite for the development of tourism is the improvement of the infrastructure in all aspects.¹¹The Pan-European Corridor X which runs through the Preshevë is also seen as a good opportunity for the strategic development of the municipality.

Municipality of Bujanovc covers an area of 461 km². According to the 2002 census, the municipality has 43,302 inhabitants of whom 10,183 citizens temporarily working abroad. According to the structure of education, 38% have completed primary school, 18% high school and 4% higher education.¹²The municipality of Bujanovc is well known for its mineral and sparkling water springs, tobacco processing and processing of plastic. According to the municipal strategy the holders of municipal economic development are the industry for packaging of mineral water and agriculture. Having in mind the ecological environment, this municipality has a potential for the development of local tourism. Via Bujanovc passes the Pan-European Corridor X which is considered of potential benefit for the economic development.¹³

Municipality of Medvegjë covers an area of 524km². It is distinguished by its mountainous and hilly terrain, 54% of the surface is forest land while 46% is agricultural land. According to the census of 2002, Medvegja has 10.760 inhabitants. According to the structure of education, 31% has completed primary school, 21% high school and 4% higher education.¹⁴ Medvegja municipality has natural resources for the development of mining, wood processing industry, agriculture, animal husbandry and forestry. In this municipality is located also Sjarina Spa. This Spa with its natural characteristics, thermal waters and mineral resources is the main tourist potential of the municipality of Medvegja.¹⁵

Although the municipalities of Preshevë, Bujanovc and Medvegjë possess aforementioned natural and human resources, they are a part of the group of devastated municipalities in Serbia where the development rate is under 50% from the average at the state level.¹⁶ In addition, it should be noted that in the past 6 years in the municipalities of Preshevo Valley are made positive moves in the field of higher education. A several

¹¹ Strategic Development Plan 2011-2016 municipality of Preshevë, link: <http://www.centarzaregionalizam.org.rs/prilozi/LRS%20Presevo.pdf>

¹² The structure of the population by education, Local economic development office - Bujanovc, p. 32, link: http://bujanovac.rs/images/content/file/Bujanovac_Profil%20%20Zajednice.pdf

¹³ Coordination Body of the Republic of Serbia, the Strategic Plan of the municipality of Bujanovc, link: http://www.kt.gov.rs/images/sp_bujanovac_sr.pdf

¹⁴ The structure of the population by education, local economic development office – Medvegjë, link: http://www.medvedja.org.rs/index.php/sr_cir/lokalna-samouprava/dokumenta-i-publikacije/ostaladokumenta/finish/1---/9--/0.html

¹⁵ Coordination Body of the Republic of Serbia, the Strategic Plan of the municipality of Medvegjë, link: http://www.kt.gov.rs/images/sp_medvedja_sr.pdf

¹⁶ Agency for business services- Olimpija, List of towns and cities by degree of development, link: http://www.olimpija.rs/index.php?option=com_content&view=article&id=73&Itemid=15

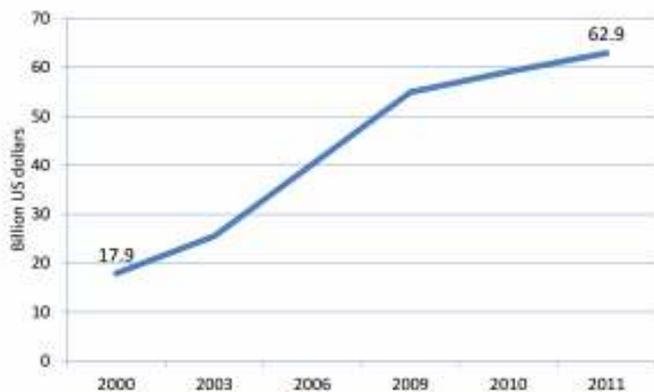
branches of economic and law faculties of state universities have been opened. During the Belgrade and Prishtina dialogue on the normalization of relation in Brussels, an agreement was reached on mutual recognition of university diplomas issued in Kosovo and Serbia. Compared to year 2002, the number of higher education graduates in the Preshevo Valley has increased significantly, but due to the boycott of the census in 2011 by Albanians there are no precise statistics available.

Prospects for economic recovery of the Preshevo Valley

In Preshevo Valley generally are identified two potential areas for the economic development in the years to come: agriculture and food processing. To stimulate the development of these areas the Government could commit more support by allocating the necessary funds or subsidies. To highlight the importance of agriculture in Europe a reference shows that the European Union allocates about 40% of its budget to agriculture.

In terms of agricultural developments, due to its rich natural resources and healthy ecological environment, there are ideal conditions for the production of organic food, fruits and vegetables. In Serbia, organic food production is slowly beginning, but in the south of the country presently it hardly exists. Although this form of production is distinguished by a smaller yield, manufacturers should be focused on quality, which promises more secure placement of products on the market and the price enables compensation of smaller yields. This type of production is attractive and in the global market this branch of agriculture is growing constantly.

Graph 3, Development of global organic food market 2000-2011¹⁷



As far as tourism is regarded there is natural and cultural potential for the development of the spa tourism, eco and ethno tourism. Significant attention should be devoted to initial identification of the tourist capacities and potential offer for the tourists. In addition, the Government could do more to support building of the tourist capacities, new projects and to provide subsidies. Great importance should be given to marketing, respectively promotion of the municipalities or their existing tourist capacities. For this purpose it would be best that municipalities possess identification logo together with clear and unique tourist offers, oriented toward the differentiation.

Finally, the Preshevo Valley region has plenty of potential and is suitable also for industrial development. The strategic geographical position, proximity to Corridor X and to Kosovo, Bulgaria, Macedonia, Greece, natural resources, the favorable climatic conditions, cheap and educated labor are just some specifics that make this region more attractive for the potential investors. This aspect of development of the Preshevo Valley should be in the focus and among the priorities of the government, respectively in its vision for a more balanced development across the country.

¹⁷ FIBL, The European Market for Organic Food 2011, 2013, Research Institute of Organic Agriculture, Link: <http://orgprints.org/22345/19/willer-2013-session-european-market.pdf>

Conclusion

Considering the fact that the Preshevo Valley for years has faced the same economic problems, the Government needs to play a more active and constructive role in the future in resolving these problems. Prerequisites of development in Preshevo Valley are: political stability, creation of a more suitable and sustainable environment for economic development, greater involvement of the Government in the development of this region with projects, funds, supporting of the sectors identified as holders of economic development with subsidies, continuously monitoring of economic development, construction of adequate infrastructure, promotion of the region, supporting education, information, training etc. Above all, political stability is considered as the main factor of economic stability, without political stability cannot be achieved economic stability and economic development. In this regard it is necessary to ensure full integration of Albanian minority in the local and central institutions of the Republic of Serbia, a process that must move forward. Aspect of education, respectively training of entrepreneurs or potential farmers is of particular importance. Lack of information, economic or managerial knowledge essential for doing business and the lack of knowledge about the process of production and cultivation of agricultural cultures are frequently presented as major barriers. In terms of education and information a greater support could be initially be given to non-governmental organizations, universities, professional schools and local media. Based on the aforesaid, it can be concluded that to achieve the desired level of economic development in the Preshevo Valley, a comprehensive and well-coordinated commitment across stakeholders is needed: Government, municipalities, financial institutions, universities, professional schools, non-governmental organizations, chambers of commerce, agencies, media, potential investors, citizens. As a final result, political and economic stability will contribute to improving the lives of citizens and the improvement of current negative demographic trends in the Preshevo Valley.

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Τόμος 5. No.1 (Spring 2014)

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Fidan Kosumi: Prospects for Economic Recovery of the Preshevo Valley. *International Relations Quarterly*, Vol. 5. No.1 (Spring 2014) 7 p.

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